4 April 2025

By email: submissions@airways.co.nz

RE: Airways New Zealand FY26-FY28 – Consultation

The Qantas Group welcomes the opportunity to provide comments regarding Airways New Zealand's FY26-FY28 pricing proposal. We appreciate the information presented in the consultation document and the provision of the additional information requested.

Following review of the data and analysis provided, we have identified several significant inconsistencies within the proposed pricing structure. Our analysis indicates that the cumulative impact of these inconsistencies amounts to a $98m reduction in total target revenue over three years – equivalent to a cumulative price reduction of 3.3% rather than the proposed 22.2% increase.

We respectfully submit four key areas that require further consideration:

1. Analysis on FY26-FY28 pricing proposal:
   - Assessment of target revenue and analysis of key Building Block Method (BBM) inputs;
   - Recommended adjustments to align with established regulatory best practice; and
   - Re-stated pricing path based on proposed adjustments.
2. CAPEX considerations:
   - Capital expenditure programs should be managed through careful prioritisation and extensive consultation with industry stakeholders;
3. Expedited consultation process with limited stakeholder engagement on key aspects of pricing and the implementation timeframe; and
4. The cumulative impact of recent increases in aeronautical charges and other travel-related costs on passenger demand.

Each of these aspects is addressed in further detail in **Attachment A**.

If you have any questions or clarifications, please do not hesitate to contact Andre Neilson at andre.neilson@qantas.com.au.

Yours sincerely

Karyn Pile
Head of Fuel Supply Chain

1.0 Pricing Analysis of FY26-28 Pricing Proposal

The Qantas Group has identified material inconsistencies in Airways' presented Economic Value Added/Building Block Model (BBM), making it difficult to reconcile with industry-standard BBMs, such as those used in New Zealand Commerce Commission (NZCC) assessments of pricing for regulated industries.

Our analysis has identified four areas of concern:

a) Inconsistent BBM application, including issues with the Regulatory Asset Base (RAB[1]) and WACC **(Adjustment 1A – 1B)**
b) Operational expenditure (OPEX) overestimation **(Adjustment 2A)**
c) Capital expenditure (CAPEX) and misalignment of RAB roll-forward **(Adjustment 2B)**
d) Inappropriate WACC input parameters **(Adjustment 2C)**

As Figure 1 demonstrates, the cumulative impact of these four identified areas amounts to a total reduction of $98m in target revenue over three years, resulting in a -3.3% cumulative price reduction rather than a 22.2% increase.

Figure 1: Qantas adjustments to Airways modelling

BBM Review		**FY26**	**FY27**	**FY28**	**Total**
Airways Target Revenue	*$m*	293.5	316.8	332.7	943.0
Airways Proposed Pricing Adjustment	*%*	14.9%	5.6%	1.7%	22.2%
PV Neutral Flat Pricing	***%***	***7.2%***	***7.2%***	***7.2%***	
1. Adjust for modelling inconsistencies:					
1A. Cost of Capital Calculation	*$m*	-9.9	-11.7	-12.8	-34.4
1B. Asset Base for return calculation	*$m*	-5.2	-1.9	-0.8	-7.9
Revised Target Revenue - Errors	*$m*	278.4	303.2	319.1	900.8
Revised Pricing Adjustment - Errors	***%***	**11.6%**	**3.3%**	**0.7%**	**15.7%**
PV Neutral Flat Pricing	***%***	***5.0%***	***5.0%***	***5.0%***	
2. Qantas' Adjustments to Inputs:					
2A. Opex	*$m*	-6.5	-13.6	-16.9	-37.0
2B. PAR Roll-forward	*$m*	-1.6	-4.0	-4.7	-10.3
2C. WACC	*$m*	-2.3	-2.9	-3.1	-8.3
Revised Target Revenue - Inputs	*$m*	267.9	282.8	294.5	845.2
Revised Pricing Adjustment - Inputs	***%***	**7.4%**	**-3.7%**	**-7.0%**	**-3.3%**
PV Neutral Flat Pricing	***%***	***-1.4%***	***-1.4%***	***-1.4%***	

The following sections discuss each of these key areas in more detail.

Adjustments 1A and 1B: Inconsistent BBM methodology, including issues with Cost of Capital and RAB Calculations

The Qantas Group has conducted a detailed analysis of the proposed BBM, with reference to audited financials and prior pricing consultations and has identified two inconsistencies with the methodology presented by Airways. The impact of these inconsistencies is material at ~$42m over the 3-year consultation period as outlined under Adjustments 1A and 1B in Figure 1.

[1] RAB is the term used by NZCC. This is equivalent to the "Pricing Asset Register (PAR)" as referred to by Airways NZ.

Adjustment 1A identifies discrepancies in Airways' cost of capital calculations. The RAB divided by the cost of capital should equal the published post-tax WACC of 8.08%. However, Figure 2 shows an implied post-tax return of 9.41% in 2026, increasing further through 2028. Qantas recommends that Airways re-state their cost of capital to reflect the published post-tax WACC[2].

Figure 2: Cost of Capital reconciliation[3]

Cost of Capital	FY25	FY26	FY27	FY28
Closing RAB Book Value *(Additional information Q4; Mar25)*	215.6	273.2	307.1	321.4
Cost of Capital *(Table 15 Consultation Document; Mar25)*	25.6	25.7	30.0	31.9
WACC% (Cost of Capital/ RAB)	11.87%	9.41%	9.77%	9.93%
Published WACC%	8.03%	8.08%	8.08%	8.08%
Variance/ over-recovery	*3.84%*	*1.33%*	*1.69%*	*1.85%*

Adjustment 1B examines the Regulatory Asset Base (RAB) methodology used for calculating the return on capital. The standard industry approach[4] is to use the midpoint RAB, whereas Airways appears to use the closing RAB. This method advances the return on assets by half a year as it does not account for the distribution of CAPEX delivery throughout the year. The Qantas Group recommends adjusting to the midpoint RAB method to ensure alignment with industry best practices.

The combination of these two modelling inconsistencies may be the driver behind the apparent discrepancy between the negative FY23-25 "EVA" in the consultation document[5] and the apparent profit after tax made in FY23, FY24 and 1HFY25 as per the organisation's financial statements.

<u>Adjustment 2A:</u> Operational expenditure (OPEX) overestimation

Airways reports that $27 million of the $41 million cost increase between FY25-26 relates to increases that had already occurred in the prior period. This is driven by higher-than-expected inflation and an additional 82 FTE above the FY23-25 forecast (as outlined in Figure 3). While these additions aim to improve resilience and maintenance practises, the Qantas Group is concerned they may reflect a reversal of previous cost-saving initiatives and a return to pre-COVID baselines. Furthermore, since these costs are embedded in the FY26 base, it is not clear that genuine consultation by Airways on this aspect of the pricing proposal has or will occur.

[2] Refer to Adjustment 2C for Qantas' view on appropriate WACC.
[3] Implied cost of capital, based on inputs from Airways NZ. Not yet adjusted for Qantas' inputs.
[4] As used by NZCC in recent AKL PSE4 review (NZCC published pricing model).
[5] Table 15 of Airways NZ's Proposed Pricing Consultation Document.

Figure 3: Operating expense analysis

	Actuals				Forecast/ Plan				CAGRs		
Operating Expenses	**FY19**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	*FY22-25*	*FY25-28*	*FY22-28*
Total - Labour	**107**	**116**	**130**	**144**	**152**	**157**	**164**	**171**	*9%*	*4%*	*7%*
FTE		*678*	*712*	*746*	*769*	*769*	*774*	*779*	*4%*	*0%*	*2%*
Equipment costs		17	17	21	23	24	26	27	*11%*	*5%*	*8%*
Student Costs		0	0	0	0	0	0	0	-	-	-
Travel costs		1	3	3	4	4	4	4	*42%*	*6%*	*23%*
Occupancy costs		4	3	5	5	5	5	6	*16%*	*1%*	*8%*
Information costs	*N/A*	4	5	7	7	8	8	8	*17%*	*4%*	*11%*
Professional services		4	5	4	6	10	11	11	*19%*	*22%*	*20%*
Corporate costs		2	1	1	1	2	2	2	*(14%)*	*13%*	*(1%)*
Intercompany charges (net)		6	8	10	9	11	13	14	*16%*	*13%*	*14%*
Initiatives		0	0	0	0	0	0	0	-	-	-
Asset impairment		1	0	2	0	0	0	0	*(100%)*	-	*(100%)*
Total - Other	**36**	**39**	**43**	**53**	**55**	**64**	**69**	**71**	*13%*	*9%*	*11%*
Total Costs	**144**	**154**	**172**	**197**	**208**	**220**	**233**	**242**	*10%*	*5%*	*14%*

Over/ (under)spend Versus FY23-25 Consultation			
Labour	*13*	*27*	*35*
Other	*(3)*	*9*	*13*
Total Costs	***10***	***36***	***48***
FTE	*(3)*	*31*	*54*

Considering the substantial cost increases embedded in FY26, the Qantas Group requests that Airways limit cost escalation from FY26-28 to align with CPI forecasts as detailed in Table 6 of the Airways Consultation Document.

Adjustment 2B: Capital expenditure (CAPEX) and misalignment of RAB roll-forward

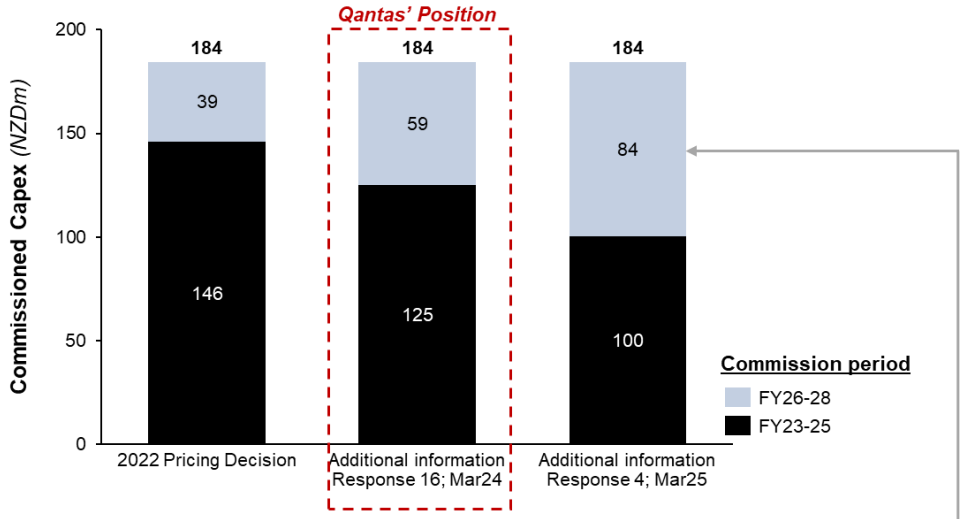
There is a significant level of deferred or delayed FY23-25 Capex in the FY26-28 asset base. Due to cost pressures, Airways claims to have prioritised capital expenditure within the $146m forecasted for the previous pricing period. Without a reconciliation of forecast versus commissioned capital in the consultation documentation, the Qantas Group has compared prior and current consultation documents to estimate an indicative reconciliation on capital.

With more capital entering the FY26-28 pricing asset base than expected, it appears that some forecasted capital was deferred or delayed from the previous pricing period. Figure 4 shows inconsistencies between Responses 4 and 16 of the Additional Information Document. Response 16 indicates $59m of capital carried into FY26-28, whereas Response 4 suggests $84m. The Qantas Group recommends adjusting the pricing asset base to reflect $59m. Note deferred Capex has two impacts on pricing:

- Pricing in the prior period was based on the assumption that $146 million of capital would be commissioned into the Regulatory Asset Base (RAB). This amount was included in the calculations for depreciation and the cost of capital. However, if capital commissioning is deferred, customers end up paying for capital that has not yet been put into use.
- According to Airways' pricing principles, Work in Progress (WIP) capital is adjusted for the cost of capital (8.08%) to account for delays in earning returns on uncommissioned capital[6]. Consequently, deferred capital may enter the RAB at a higher cost than initially planned. This means Airways could be recovering the cost of capital and depreciation twice: once in the previous pricing period and again when the capital is finally commissioned.

[6] This approach is outlined in the Airways' 2025 Pricing Framework. Note this is not standard approach in a building block model as it allows Airways to earn a return on capital from customers that they have not yet had access to.

Figure 4: FY23-25 Pricing Period – Reconciliation of capex commissioning dates



$84m derived per below – this is a calculation of commissioned Capex in FY26-28 above the stated capital plan for this period

	FY26	FY27	FY28	Total
FY26-28 Capital Plan	37	48	51	**137**
Capex Transfer to PAR	91	73	57	**221**
***Variance** – Transfer outside of current capital plan*	54	25	6	**84**

<u>Adjustment 2C:</u> Inappropriate WACC input parameters

Our comprehensive evaluation of Airways NZ's WACC has been conducted against industry standards, regulatory precedent, and best practice.

Before assessing specific WACC inputs and outputs, it is essential to establish Airways' business risk profile. Airways operates with systematic risk comparable to other New Zealand and international airports, enroute navigation and terminal navigation service providers (e.g., AIAL, NATS and ENAV).

However, a critical differentiating factor is Airways' status as a State-Owned Enterprise (SOE). Unlike other comparators, this status provides Airways with access to borrowing at preferential rates, significantly reduced "Going Concern" risk compared to non-SOE entities and an overall lower risk profile than typical airports.

From a practical perspective, Airways' WACC should logically have a natural ceiling at the level of airport regulatory WACC decisions, with a floor somewhat below this threshold due to the inherent risk advantages of an SOE. However, when comparing Airways' proposed WACC against the NZCC's 2023 IM decision, we observe that Airways' WACC exceeds the post-tax WACC established for airports in New Zealand[7], despite Airways' lower risk profile.

The Qantas Group acknowledges the reasonableness of most parameters[8] included in Airways' WACC assessment. However, we identify two significant areas of concern:

1. Gearing input assumptions and resulting elevated equity beta; and
2. WACC percentile adjustments.

[7] As per the NZCC 2023 IM airports decision.

[8] While we maintain that Airways' approach of using airport debt premiums as a proxy is not appropriate, we acknowledge the challenges in identifying a suitable New Zealand-based A+ rated bond with 5-year tenure data for comparison purposes.

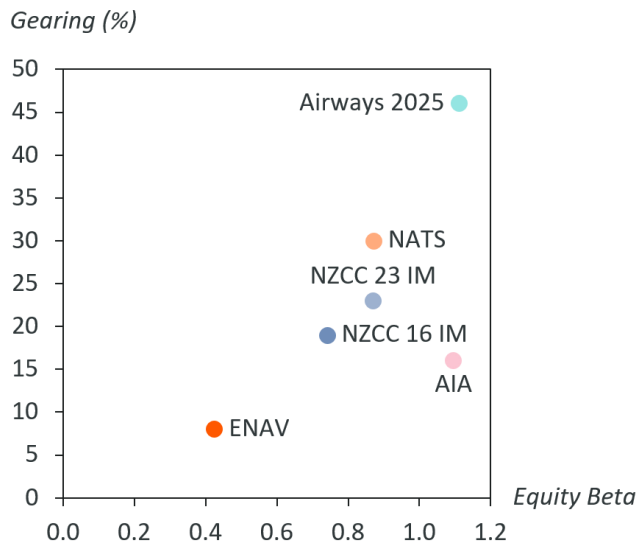
Gearing input assumptions and resulting elevated equity beta

While Qantas Group supports the approach Airways has taken in determining the majority of its WACC inputs, we find the application of Airways' own target gearing structure - rather than the gearing associated with the comparables used in determining the asset beta - to be methodologically inconsistent and fundamentally flawed.

Furthermore, Airways has inappropriately used its own book value of equity rather than the market value of equity. This contradicts standard regulatory practice globally. We acknowledge that Airways is not a listed entity, but this characteristic enhances the argument for using the gearing ratios associated with comparable companies in the asset beta calculation.

Figure 5 illustrates the misapplication of gearing and reliance on book value rather than the market value of equity. Airways has 142% higher gearing than similar navigation services providers and exactly double that of the recent Airports 2023 NZCC IM WACC decision. This significant deviation results in Airways calculating an equity beta that exceeds Auckland Airport's, erroneously suggesting Airways faces higher systematic risk than Auckland Airport. This comparison is particularly problematic given that Auckland Airport is already recognised as a global outlier within its sector, with one of the highest beta values among comparable entities. This further undermines the credibility and reasonableness of Airways' proposed equity beta calculation, which appears fundamentally inconsistent with industry benchmarks and regulatory precedent.

Figure 5: Gearing Vs Equity Beta[9] of comparables[10]



Consequently, this methodologically flawed approach produces anomalous WACC outcomes, whereby Airways' post-tax WACC is higher than all other relevant comparators (except Auckland Airport's WACC[11]) despite Airways' inherently lower risk profile as an SOE (see Figure 6).

[9] Calculated from Bloomberg data using the NZCC 2016 (IM) asset beta and gearing model for period 2015-2025.
[10] Comparable include relevant airports, navigation services providers and recent regulatory decisions.
[11] Auckland Airport post tax WACC is higher due to relatively low gearing structure as it prepares for PSE4 investment.

Figure 6: WACC inputs, calculations and comparison analysis

	Airways 2025	NZCC 2023 IM	AIA 2025[12]	ENAV[13]	NATs[14]	Qantas recommendation
Risk free rate	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
Tax -Adj. Market Risk Premium (TAMRP)	*7.00%*	7.00%	7.00%	7.00%	7.00%	7.00%
Asset beta (β)	0.60	0.67	0.92	0.39	0.61	0.60
Gearing (D/V)	46%	23.00%	16%	8.00%	30.00%	19%
Equity Beta[15]	1.11	*0.87*	*1.10*	0.42	0.87	0.74
Credit rating	A+	*BBB+*	*BBB+*	A-	A-	A+
Return of Debt (Pre-tax)	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%
Return on Debt (Post tax)	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%
Return on Equity (Post tax nominal)	10.51%	*8.83%*	*10.40%*	*5.70%*	*8.84%*	*8.84%*
Nominal Vanilla WACC	*8.08%*	*8.00%*	*9.58%*	5.67%	7.75%	7.41%
Post tax WACC	*8.08%*[16]	*7.66%*	*9.34%*	5.55%	7.31%	7.13%

Note: *For the purposes of this analysis, we have excluded the recent Airservices FY24-FY26 pricing WACC, as pricing was not set through the Building Block Model (BBM), but through a predetermined price escalation. Qantas was not supportive of the WACC inputs Airservices proposed, and the regulator (ACCC) did not comment as part of its consultation process. This exclusion ensures our comparative analysis focuses only on properly established regulatory benchmarks.*

WACC 65th percentile adjustment:

Airways has applied a WACC percentile uplift in its pricing proposal, citing consistency with the NZCC's approach for Electricity Distribution Businesses (EDBs) and Transpower. However, this application misinterprets regulatory precedent. NZCC explicitly establishes that airports - which are a more appropriate comparator for Airways - should utilise a WACC midpoint rather than a percentile uplift (see Figure 7).

Figure 7: 2023 NZCC IM Post WACC's and percentile adjustments (%)[17]

	Airports	EDB's	GPBs
Post tax mid-point WACC (ex-percentile adjustment)	8.02%	6.13%	6.43%
Post tax WACC (post percentile adjustment)	N/A	6.54%	N/A

[12] AIA stands for Auckland International Airport; asset beta and gearing was calculated from Bloomberg data across 2015 -2025 period.
[13] ENAV stands for Ente Nazionale Assistenza al Volo a Italian listed business that operates navigation services; asset beta and gearing is calculated using Bloomberg data.
[14] NATs is short for NATS Enroute limited which operates in the UK. NATS' asset beta and gearing are determined by the Civil Aviation Authority CAA.
[15] Equity beta has been re-levered using Brealey Myers formula from stated asset beta data.
[16] Post tax WACC includes Airways proposed 65th percentile increase based on NZCC 2023 IM methodology.
[17] Information from December 13th NZCC 2023 IM final report.

Airways' rationale for applying a WACC percentile uplift contradicts the purpose statement of Part 4 of the Commerce Act. The justification provided by Airways demonstrates a selective interpretation of the regulatory framework governing WACC determination. The purpose statement requires a careful balancing of:

1. Section 52A(1)(a): Providing regulated entities with "incentives to innovate and to invest, including in replacement, upgraded, and new assets"; while
2. Section 52A(1)(d): Ensuring that these entities "are limited in their ability to extract excessive profits."

Airways' application of the percentile uplift disproportionately prioritises the first element while disregarding the second. This creates an imbalance that undermines the fundamental regulatory principle of balanced incentives. This imbalance is not merely theoretical but is evidenced concretely in Airways' high estimated RAB multiple and return on assets (see Figure 9), which strongly indicates that the current pricing approach already enables more than sufficient returns without any additional uplift.

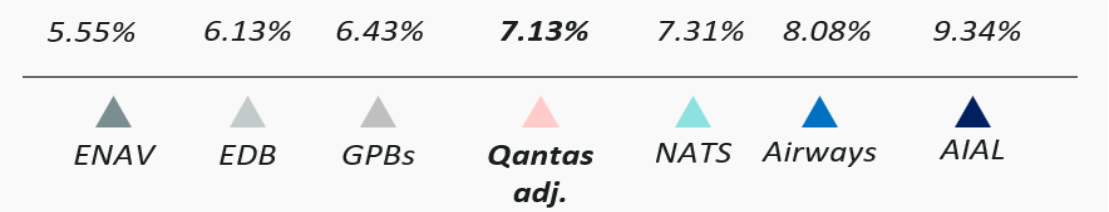
Furthermore, Airways' justification mischaracterises NZCC's reasoning for applying the 65th percentile uplift to EDBs and Transpower. NZCC's determination was highly contextual and based on specific characteristics of electricity and gas networks that do not apply to Airways. These characteristics include:

1. Essential service characteristics with significant public welfare implications;
2. Demonstrated historical underinvestment in critical infrastructure;
3. Operate in a price quality scheme, whereby incentives/penalties exist to encourage quality standards;
4. Lower Regulated Asset Base (RAB) multiples indicating potential undervaluation; and
5. Quantifiable costs of service interruptions and reliability failures.

The Qantas Group opposes Airways' application of a WACC percentile uplift. The uplift is unjustified, inconsistent with regulatory precedent for airports and contrary to the balanced approach required by the Part 4 purpose statement.

Instead, the Qantas Group recommends that Airways adjusts its gearing structure to 19% and does not apply a 65th percentile WACC uplift, which would result in a post-tax WACC of 7.13% and within the reasonable range of comparable entities and regulatory decisions (as demonstrated in Figure 8).

Figure 8: WACC range of comparators



WACC reasonableness checks

The Qantas Group has applied standard industry WACC reasonableness tests such as RAB multiple analysis, sector and business comparisons (see figure 9) and return on assets evaluations to assess Airways' proposed WACC. These tests reveal significant inconsistencies between Airways proposal and reasonable market expectations.

The RAB multiple of a regulated business is the ratio of its enterprise value to its RAB. At its most basic, the concept determines whether (in the absence of other factors) a regulated business will deliver returns close to its 'true' cost of capital. That is, the net present value of expected cash flows should, if the entity assumptions hold, equal the value of the RAB (i.e., the RAB multiple should be 1).

We have used the data Airways provided to calculate a RAB reasonableness range. Qantas has also amended the RAB multiple to reflect changes we have made throughout this response (see Figure 1), including adjustments to OPEX, CAPEX, RAB, and WACC.

Based on Airways' pricing proposal it produces a RAB multiple range of 1.4-1.5x, well above the benchmark of 1.0x, clearly indicating that it delivers returns above its true cost of capital. Furthermore, the three yearly average return on assets shows that the capital charge is producing a return of 9.70%, significantly higher than the proposed 8.08%. This is in contrast with Qantas' recommended adjustments that would produce a RAB multiple of 1.0-1.2x and a return on assets of 7.13%.

From this analysis, the Qantas Group recommended adjustments (2A-2C) are reasonable and provides a more than adequate return while still supporting Airways proposed CAPEX program, innovation and system resilience projects.

Figure 9: RAB multiple table

	Airways 2025[18]	**Qantas WACC 7.13%[19]**	**NZCC 23 IM EDB's[20]**
RAB Multiple	1.4x – 1.5x	1.0-1.2x	1.2x
Average yearly return on Assets[21]	9.70%	7.13%	N/A

Restated pricing path

The Qantas Group also requests that Airways considers using a smoothed pricing construct over the three-year pricing period, rather than calculating discrete price increases annually. This common industry method[22] ensures consistent percentage increases or decreases over the pricing period without impacting the present value of total revenue. A smoothed pricing model would allow airlines to better manage forecasts and reduce annual fluctuations in aeronautical passenger fees. The equivalent present value-neutral flat price for both Airways' and Qantas' positions is illustrated in Figure 1.

[18] Qantas structured a low and high range by looking at forward looking enterprise value (EV), EBITDA and discounted cashflow model using information provided in Airways FY24 annual report and FY26-FY28 pricing proposal; Discount rate was assumed to be 8.08%.

[19] Qantas structured a low and high range by looking at forward looking enterprise value (EV), EBITDA and discounted cashflow model using information provided in Airways FY24 annual report and FY26-FY28 pricing proposal and overlayed with Qantas adjustments; Discount rate was assumed to be 7.13%.

[20] NZCC 2023 IM final cost of capital paper, reasonableness checks.

[21] Return on assets is calculated as the net income after tax over the average RAB for the year and then average across the 3 pricing years (FY26-FY28).

[22] Similar methodologies utilised by multiple governing bodies, such as the NZCC for Airport pricing periods and the Australian Energy Regulator (AER).

2.0 CAPEX considerations

The Qantas Group notes that Airways has had limited stakeholder engagement on key strategic capital programs. We encourage the enhancement of stakeholder engagement where strategic programs are tabled with industry including an appropriate level of detail on timelines for implementation, costs and benefits to industry for consultation.

We offer the following comments on the specific capital programs under consideration:

1. **Development of a UTM System**: The primary beneficiaries of UTM systems are typically drone operators and other stakeholders involved in unmanned aerial operations. While we welcome the opportunity to engage with industry with a view to enabling airspace management for all airspace users, we suggest a review as to the applicability of airlines funding of this strategic investment.

2. **Auckland Control Tower and Surveillance Replacement**: The Qantas Group's submission on Airways' Consultation into the Auckland Air Traffic Control Tower Replacement commented that:
   a. The Qantas Group maintains that a fully digital option would provide the appropriate service for air operators while future proofing development at Auckland Airport; and
   b. The planning process to support an integrated terminal that was undertaken by Auckland Airport should have appropriately considered the impacts to ATC in the detailed design processes in accordance with the obligations of an Aerodrome operator under New Zealand's Civil Aviation Rules.

3. **Regional Tower Services:** The investment in regional tower services and the transition to more efficient surveillance-based services are commendable. However, the introduction of new technologies should be aligned with industry needs and financial capabilities. Further consultation and engagement with industry would be welcomed.

4. **Airspace Architecture Review**: The six-year horizon for the airspace architecture review is ambitious. We support the goal of increasing standardisation and quality of service but urge that this project be prioritised and phased to ensure manageable investment and implementation with appropriate industry consultation.

5. **End of life infrastructure and equipment replacement**: Enhancing resilience and reducing operating costs through the replacement of end-of-life infrastructure is essential. However, we question the necessity of all end-of-lifecycle replacements occurring simultaneously. These replacements should be staggered to avoid financial strain and ensure continuous service.

We appreciate and support the focus on future strategic work related to airspace architecture, investment in end of life infrastructure and equipment. However, we believe that this work should be managed through careful prioritisation and extensive consultation with industry stakeholders. In addition, it is important to recognise that not all proposed initiatives can be funded and implemented simultaneously.

3.0 Expedited consultation process and implementation timeframe with limited stakeholder engagement on key aspects of pricing

The Qantas Group considers the current consultation process for the FY26-FY28 pricing is insufficient in terms of the period of consultation and information provided on key BBM inputs. Consultation should include the provision of a detailed building block model in advance including RAB, projected CAPEX (including rationale, alternative options and benefits), OPEX forecasts and efficiencies, WACC and volume forecasts. Consultation should include consultation sessions to discuss the proposal in advance of seeking formal written responses. This process should occur well in advance of the next pricing period and at least 6 months in advance of any pricing proposals coming into effect. Qantas considers this timing would better align the recovery of costs with the profile of flight bookings.

As previously advised, the Qantas Group is already selling tickets for the July 2025 – February 2026 period. As a result, we do not consider it appropriate to commence consultation in early March 2025, with a final decision in May 2025 to implement a new pricing regime from 1 July 2025. The Qantas Group requests that Airways reviews its proposed implementation timeline to account for already on sale tickets.

4.0 The cumulative impact of recent increases to aeronautical charges and other travel-related costs on passenger demand

Aviation plays an integral role in the New Zealand economy, connecting international, domestic and regional communities and supply chains, and provides a key source of employment. The Qantas Group is a significant contributor to the New Zealand tourism sector, directly employing over 1,200 people who support more than 360 weekly trans-Tasman and domestic flights across Qantas and Jetstar operations. Irrespective of the post-COVID growth of Qantas and Jetstar in the New Zealand market, the taxes and charges imposed by the New Zealand Government, airports and air traffic control remain high. This has made New Zealand one of the most expensive countries globally for aeronautical-related passenger fees. Since the onset of the COVID-19 pandemic, aeronautical and travel-related passenger costs have significantly increased across the board.

These high costs place downward pressure on demand and disproportionately impacts budget-conscious passengers and those visiting friends and family. The Qantas Group supports Airways having a sustainable funding model. However, Airways must consider any proposed increases and the impact on demand holistically, and in the context of the increasing costs being imposed on airlines and our passengers across the board.