From: Hisham Omar

To: Submissions

Subject: Fw: Airways consultation on FY 26-28 - Additional Request for Information.

Date: Thursday, 3 April 2025 3:29:07 pm

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1. Are Airways' forecasted base operating costs appropriate to maintain operational

resilience and transition to its future state? Are there trade-offs you would like us to

consider?

Singapore Airlines recognizes the importance of ensuring safe, reliable air navigation services through sustained investment in staffing, equipment, and systems. We appreciate that Airways must recover these costs to maintain and improve its operational resilience.

However, based on our cost estimates, the incremental charges for SIA alone could total NZD 510,000 in FY26 (+13%), another NZD 300,000 in FY27 (+7%), and NZD 50,000 in FY28 (~+1%), leading to a cumulative cost increase of around NZD 2.18 million over the entire three-year period. The front-loaded structure of these increases remains a key concern—particularly in light of expected continued growth in passenger volumes, which should naturally broaden the cost base if the cost recovery is timed more gradually.

We urge Airways to consider:

Phasing in expenditures more evenly over the three years, allowing growth-driven gains in traffic volumes to help offset the revenue needs—thus lessening the immediate burden on airlines in the first year.

Further cost-optimization measures (particularly for non-critical projects) to mitigate sharp annual escalations.

2. Do you consider any adjustments are required to the proposed Airways capital plan for FY26–28? If yes, what adjustments do you suggest need to be made?

SIA supports the principle of renewing aging infrastructure and investing in future-focused technology. However, we recommend:

Prioritization Review: Revisit each capital expenditure to confirm which projects are genuinely time-critical (e.g., essential for maintaining safety, meeting mandatory requirements) versus those that can be deferred or re-sequenced to reduce near-term cash-flow pressure.

Transparency on Benefits: For strategic or forward-looking initiatives—such as remote aerodrome advisory services (RAAS) and uncrewed traffic management (UTM)—we would welcome more detail on the expected timeline, costs, and benefits, so that cost allocation corresponds to demonstrable value.

3. Are the volume growth rates reasonable and are there any other factors that should be considered?

SIA foresees sustained passenger growth, a trend consistent with broader industry recovery. If flight volumes indeed continue to rise strongly:

Front-loading may be less necessary: Higher volumes could help address revenue requirements in a less abrupt manner.

Scenario Planning: We request Airways adopt scenario-based volume forecasts to ensure that pricing is appropriately balanced between over- and under-recovery. If optimistic forecasts are realized, costs can be recovered more smoothly.

4. Are Airways' inflationary assumptions and capital charge inputs appropriate?

Inflation & WACC: SIA understands that current economic conditions require prudent inflation assumptions and capital charge inputs. However, with global markets evolving rapidly, we ask Airways to ensure these parameters are regularly reviewed and that any reductions in actual inflation or interest rates be reflected as quickly as possible. There needs to be flexibility.

Mechanisms for Adjustments: If actual inflation or cost of capital proves lower than forecasted, we request a transparent approach to adjusting charges in subsequent periods.

5. Is there any other relevant information that you want to provide?

1. GST on Overflights: Clarification remains key regarding GST on international flights that merely transit New Zealand airspace (i.e., no local takeoffs or landings). If these services qualify as "exported" under GST legislation, then zero-rating them would significantly affect cost calculations.

2. Implementation Timing: Given the considerable step-up in costs, phased implementation would aid carrier budgeting processes.

3. Ongoing Stakeholder Engagement: We welcome continued dialogue on capitalprogram

scope and timing, allowing international airlines to plan route economics

well in advance.

Singapore Airlines is committed to supporting safe, reliable air navigation in New Zealand.

We ask that Airways factor in the continuing growth in passenger volumes to moderate the

first-year spike in charges and spread cost recovery more proportionally across the FY26–

28 period. A carefully balanced approach will reduce undue near-term pressure.

Best,

Hisham