

Airways' Pricing Consultation



Customer Feedback Template

This feedback template features the questions set out in Airways' proposed pricing for the 2019 – 2022 period consultation document, as well as one final question relating to any further comments you may want to make.

The feedback questions are there to help you develop your submission and to help Airways analyse your feedback. You are welcome to comment on other topics should you wish to.

The template is in a Microsoft Word format for you to download from Airways' website. Please save it and type directly into the spaces provided.

Please start by reading Airways' proposed pricing for the 2019 – 2022 period consultation document before filling out this template. Email your completed template to submissions@airways.co.nz by 15 March 2019. Alternatively, you can post your completed template to: Airways pricing consultation, Airways New Zealand, PO Box 294, Wellington 6140.

All customer submissions will be carefully considered before prices are finalised and released publicly on 29 May 2019.

Important note for submitters

All submissions will be made available to the public from Airways' website. However, you can request the removal of content (clearly identified in your submission) as commercially-sensitive or confidential and Airways will remove the information prior to publication. Submitters should highlight any comments or contents that are commercially-sensitive or confidential.

Your details

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Email	
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Consultation feedback questions



Proposed prices

for Airlines

Question 1: Do you support Airways' roadmap to implement digital tower services at Invercargill and Auckland during the 2019-2022 pricing period?

Feedback: The Qantas Group (the Group) broadly supports the implementation of technological/digital solutions. Specifically the Group supports the implementation of a digital tower at IVC (provided a tower is required under the regulations). It is the Group's belief that IVC should be used as a test bed for the technology in New Zealand and that any learnings be applied to the business case for determining how digital tower services could be used elsewhere in M.

Question 2: Do you support Airways' involvement in the AIAL project to implement an FCR at Auckland?

Feedback: The Group broadly supports the FCR at AKL but is concerned in respect to the cost/benefit of the project. We would encourage Airways NZ to work closely with AIAL and airlines to ensure that the project meets expectations and should the project not proceed come up with a mechanism to remove the costs associated with the project from the pricing. The Group is supportive of Airways' initiative to explore other avenues to create a back up to the existing runway, such as explore overnight closures of the runway and/or use Taxiway Alpha during the day only when any works are required. The Group encourages Airways and Auckland airport to work with airlines on these proposals.

Question 3: Do you support Airways' UAV detection and management initiatives to enhance safety in and around controlled airspace?

Feedback: The Qantas Group is very supportive of initiatives that enhance safety in and around controlled airspace. It is however the Group's view that the costs associated with UAV detection and management should not be borne by airlines but instead by the Regulator (CAA) or UAV operators.

Question 4: Do you support the projects in figure 11? Are there other service enhancements that Airways should be considering?

Feedback: The Group supports projects such as ADS-B however believe that the costs associated with these projects should only be passed on when the benefits are realised by airlines.

Question 5: Do you support Airways' business transformation to improve the resilience and flexibility of future services?

Feedback: The Group supports Airways' business transformation however would like to see tangible benefits delivered in a timelier manner. Furthermore the costs associated with transformation should only be passed on when benefits are realised by Airlines.

Question 6: Do you support Airways' capital programme to maintain safe and reliable services? Note full details of the capital programme are provided in Appendix 2.2.

Feedback: The Group supports the provision of safe and efficient services and is proud of our own safety record. The Group supports the introduction of ongoing safety improvements which are of safety would however like to further understand Airways plan to transition away from ground based navigation aids such as VOR/DME and moving to PBN.

Question 7: To continue to maintain safe and efficient services do you accept Airways' increase to base operating costs?

Feedback: The Group supports the provision of safe and efficient services and is proud of our own safety record as well. The Group however expects that the significant investment in technology and transformation projects in recent years and proposed for the next 3 years translates into operational efficiency and therefore lower operating costs in this pricing period as well as future periods.

Question 8: Recognising that the inflation inputs will be updated with current information at the time of setting final prices, do you agree with the sources of Airways' inflationary inputs?

Feedback: Approach seems reasonable however as per question 7 above, the Group would expect benefits as a result of investment in technology and transformation in unison with the Operational strategy advised in the FY17-FY19 Pricing Proposal results in lower operating costs. Instead operational costs have increased 4% year on year (over the last 4 years).

Question 9: Do you agree with the inputs into Airways' capital charge calculation?

The Group strongly disagrees with Airways' capital charge calculation.

Airways' WACC remains unchanged from the previous pricing period. Given the decline in risk free rates and debt premium, we would anticipate the WACC to decline. Furthermore, we would anticipate that Airways' WACC should be lower than airports as they face lower risk given the diversified nature of Airways' services and revenue. We note that NZCC have determined a midpoint vanilla WACC of 6.30% for airports and therefore Airways' vanilla WACC should be below 6.30%

It is therefore the Group's view that the capital charge is significantly overstated and not reflective of an appropriate return for a state owned enterprise operating monopoly assets in a regulated environment where systematic risks are low

Question 10: Is there any other information Airways should consider to forecast future volume growth?

Feedback: No

Question 11: Do you support proposed changes to charges for Queenstown night operations, and extended or unscheduled out-of-hours services?

Feedback: The Group supports the proposed changes

Question 12: Do you support the Scorecard metrics in figure 27?

Feedback: The Group supports the scorecard metrics but would like additional information as to how they are set and what they are being used for. It is the Group's view that there should be more of a focus on performance management with the intent of uncovering systemic issues and identifying areas for improvement.

Question 13: Are there any other measures Airways should consider including in the Scorecard?

Feedback: See feedback for Question 12



***Proposed prices
for General Aviation***

Question 14: Do you agree with the inflationary inputs used to uplift GA prices?

Feedback: N/A

Question 15: Do you agree with the proposed changes to Milford prices?

Feedback: N/A



Other feedback

Are there any other comments you would like to make?

Feedback: The Group believes that there are opportunities for collaboration with Airservices Australia especially in respect to ATFM across the Tasman. Also the Group would like to understand Airways' plan for A-CDM.