

AIRWAYS



AIRWAYS CORPORATION OF NEW ZEALAND

FY25 Price Reset Consultation

April 2024



Airways' proposed prices 1 July 2024 to 30 June 2025

Airways has completed its revenue forecast for the period 1 July 2024 to 30 June 2025 in accordance with our Pricing Framework. Airways' forecast revenue for the period is within 2% of the target revenue set as part of the three-yearly pricing consultation.

Therefore, **Airways is proposing no change to our published prices, and on 1 July 2024, our prices will move to our published prices for the period 1 July 2024 to 30 June 2025** that were set as part of the three-yearly pricing consultation in June 2022.

Airways is also proposing to enter into an agreement to sell the Airfield Power and Lighting Assets at Hamilton Aerodrome to Hamilton Airport. In anticipation of this being agreed and completion occurring on 1 July 2024, Airways proposes to reduce its charges with effect from 1 July 2024.

Background

In June 2022, Airways set prices for FY23-25 (three-year pricing cycle). During the three-year pricing cycle there can be unforeseen variations in the volume of air traffic, which will affect the amount of revenue Airways receives.

Airways has a risk-sharing mechanism in place to share this volume risk between Airways and its customers. This mechanism requires Airways to make a forecast of the next year's revenue. If the forecast for the following pricing year indicates that revenue will lie outside a range of +/- 2% of the Target Revenue set during the pricing consultation, then prices can be reset to bring revenue back to within 2% of the target revenue.

Key changes

Airways forecast FY25 revenue to be 1.4% above the Target Revenue and therefore are proposing no changes to the FY25 prices published in June 2022. While overall flight volumes are lower than FY25 pricing consultation schedules, the change in forecast aircraft and routes has offset the volume reduction in our revenue forecasts.

The table below outlines our updated forecast by region comparing current forecasts to the forecast set during the pricing consultation.



Assumed annual volume growth/decline (flights)

Region	FY25 Updated Forecast Growth/Decline on FY25 Pricing Consultation
Domestic	-5%
Australia	-5%
Pacific	-15%
Asia	-2%
Middle East	+65%
North America	+49%
South America	+99% (+363 Flights)

Domestic

Airways' largest domestic customer is Air New Zealand. The domestic market volume has been impacted by aircraft mechanical issues.

Airways now forecasts FY25 domestic schedules to be down 5% on FY25 Pricing Consultation schedules set in June 2022.

International

Australia

The Trans-Tasman market is down 5% on the FY25 Pricing Consultation forecast set in June 2022. This is largely due to Virgin Australia now only flying to Queenstown, partly offset by increased flights by Qantas and Air New Zealand.

Other International

Other international travel is forecast to grow faster than expected. We anticipate other international to be 5% higher than the FY25 Pricing Consultation forecast.

In the Pacific region, with the absence of Virgin Australia and Samoa Airways, and the reduction of flights from Air New Zealand, we are now forecasting the Pacific region to be down 15% against our FY25 Pricing Consultation forecast set in June 2022.

Flights to Asia are forecast to be slightly down on FY25 Pricing Consultation forecast, partly due to Emirates no longer flying the Auckland/Bali route and absence of Philippine



Airlines and Thai Airways. We are also welcoming back Hainan Airlines in mid-June 24 which contributes largely to the Asian market growth.

The Middle East has grown significantly on FY25 Pricing Consultation forecast with increased flights to the Middle East via Emirates and Qatar Airways.

North American flights are 49% higher than the FY25 Pricing Consultation forecast. The increase is driven largely by more US routes via Delta Airlines, United Airlines and Qantas.

South American flights are forecasted to increase by 99% (363 flights) on FY25 Pricing Consultation forecast due to more flights to Chile via Latam.

Hamilton Airport Airfield Power and Lighting Divestment

Airways is proposing to enter into an agreement to sell the Airfield Power and Lighting Assets at Hamilton Aerodrome to Hamilton Airport. In anticipation of this being agreed and completion occurring on 1 July 2024, Airways proposes to reduce its charges with effect from 1 July 2024.

The sale of the Hamilton Airfield Power and Lighting assets will allow Airways to reduce aerodrome charges by 1.5% in FY25 for Regional Airport (Group 1) weight price.

Guide to providing further information or feedback

The key changes impacting our revenue forecast from 1 July 2024 to 30 June 2025 are summarised above.

Airways invites customers to provide any additional information about their schedules or any other feedback by 15 May 2024.

Please send this information or feedback to submissions@airways.co.nz. As any submitted information or feedback will be made available to the public via Airways' website, they should not contain any commercially sensitive or confidential information.

Further information and feedback provided will be carefully considered by Airways prior to finalising prices by 31 May 2024 with new prices taking effect from 1 July 2024.