

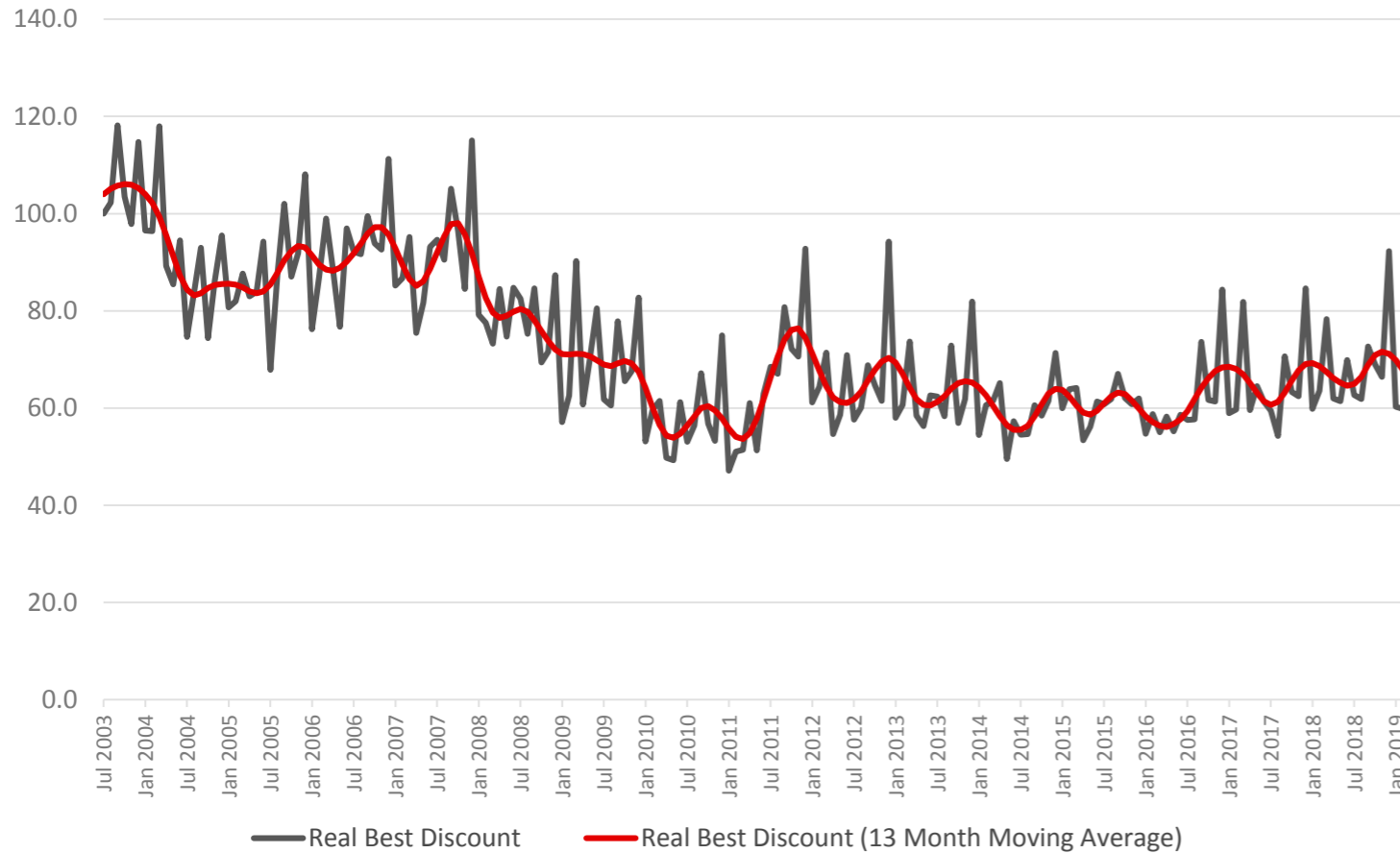
Senate Rural and Regional Affairs and Transport Committee

Qantas Group Appearance

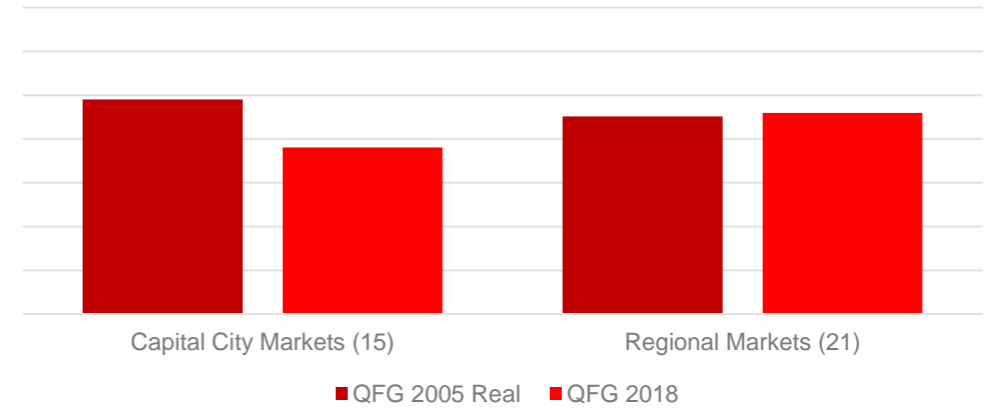
15 March 2019

BITRE statistics show discount economy fares are more than 40 per cent lower in real terms than in 2003

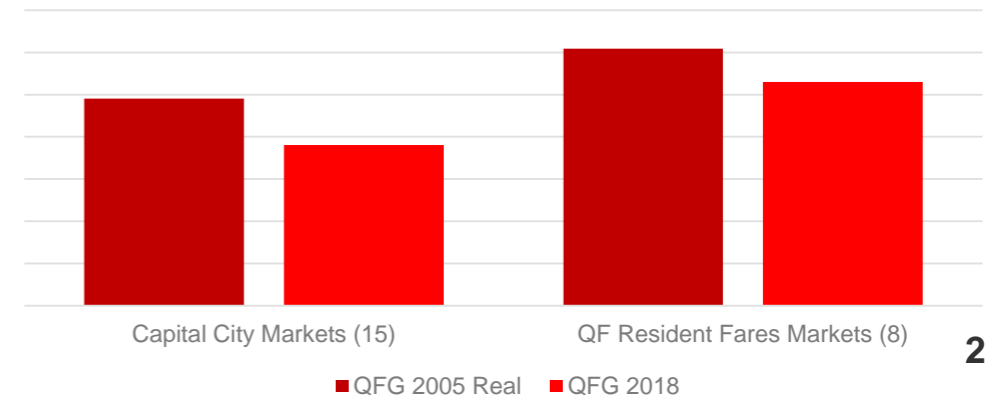
BITRE Domestic Discount Airfares
Jul 03 – Feb 19 CPI Adjusted



Capital City vs Regional Lead In Tariff Pricing
2005 vs 2018

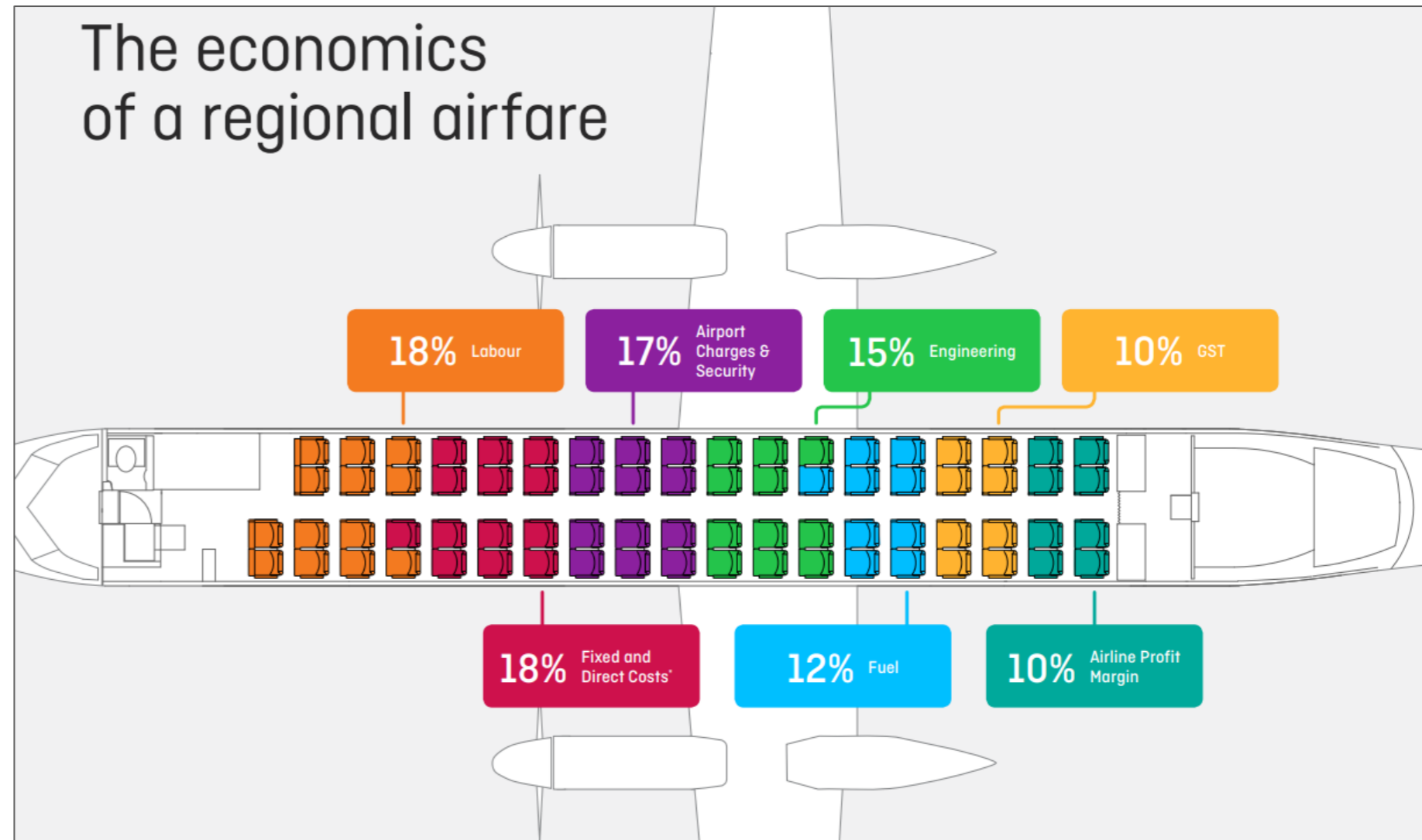


Capital City vs Regional Lead in Tariff Pricing
2005 vs 2018
Regional: where QF Resident Fares operated in 2005 and 2018



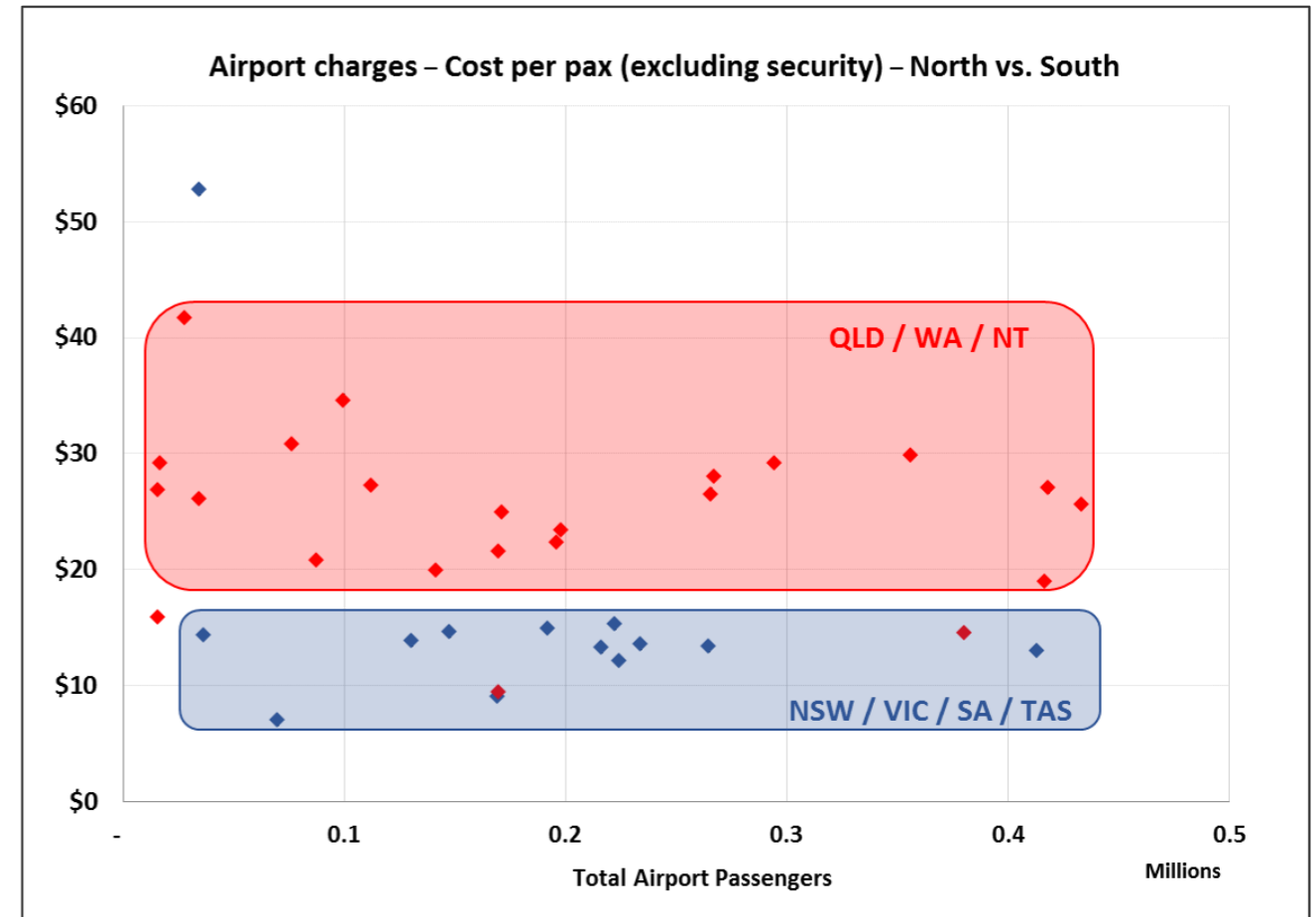
High input costs drive higher cost of regional operations

- Illustration demonstrates economics of Q400 turboprop aircraft operating on intra-QLD routes.
- Airport and security charges alone represent **17 per cent** of cost base – more than fuel.
- Across the national regional network, the per seat cost of regional operations is **~50 per cent higher** than mainline domestic and **~125 per cent higher** than international.



In real terms, airports have had a 25 per cent increase in revenue per passenger over the past 10 years

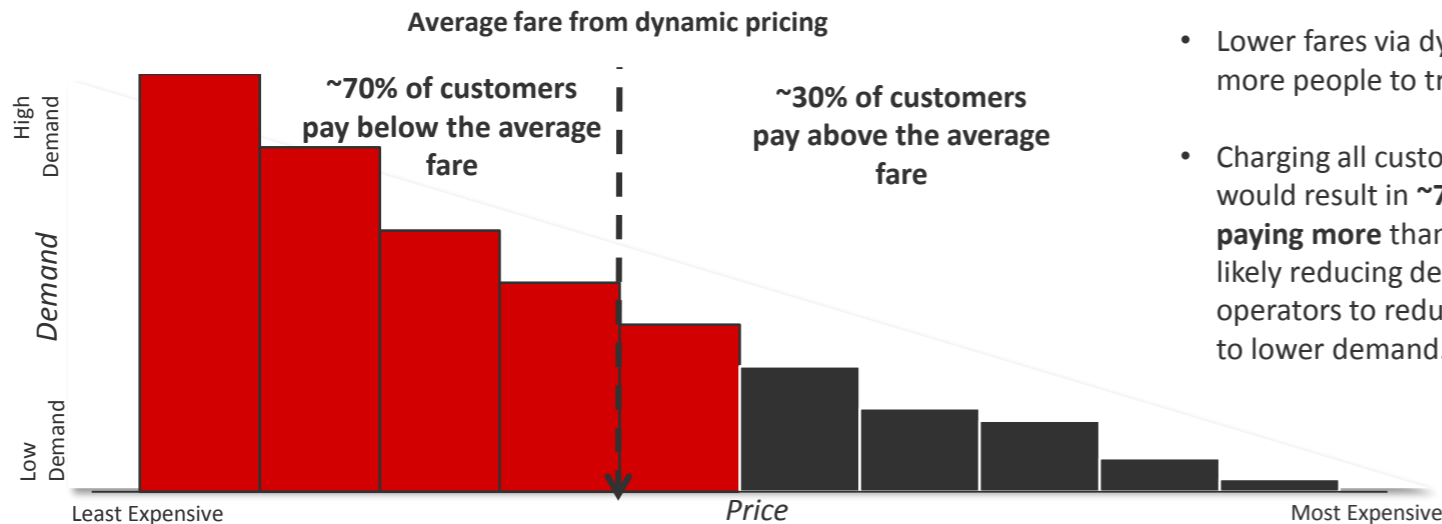
- Airports continue to exercise monopolistic power over airport charges, and their charges are the biggest challenge to regional aviation economics.
- Passenger Service Charges **directly** flow into the price of airfares.
- **14 of the top 15 most expensive airports** in Australia that Qantas flies to are within **Queensland** and **Western Australia**.
- When comparing regional airports with fewer than 500,000 passengers per year, the average cost per passenger is **\$17** for those in the southern states, and **\$26** for airports in Queensland, Western Australia and the Northern Territory - **that's over 50% higher**.
- The difference between a **\$10-15** and **\$25-30** airport charge is significant in the context of route economics, and can turn a marginal route into a loss maker.



Qantas. (2019). Australian airport charges with under 500,000 pax per year – passenger and cost matrix.

How dynamic pricing delivers lower fares

- Of Qantas' regional customers, ~65% purchased from our Red eDeal fare family – this was even higher if just looking at resident (retail) customers, with ~80% purchasing from this fare family.
- Dynamic pricing allows Qantas to offer a range of fares to our customers which are cheaper than the average price point.
- If an **average price** was imposed on Qantas and our passengers, many customers would be **priced out of the market**, and as a result unable to afford to fly.



- Lower fares via dynamic pricing enable more people to travel.
- Charging all customers the **average fare** would result in ~70% of **customers paying more** than they otherwise would, likely reducing demand and causing operators to reduce capacity in response to lower demand.

FARE TYPE	BOOKING CLASS
Red eDeal	E
	O
	Q
	N
	S
	V
Flex	L
	M
	K
	H
	B
	Y

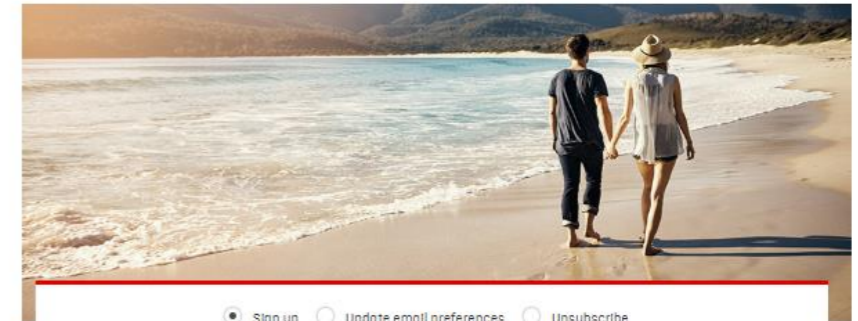
How to save on Qantas fares

At Qantas, we know how important air transport is to regional Australia, and there are number of ways travellers can secure the best deals on Qantas fares.

- 1 Subscribe to the Qantas Red Email to receive the latest flight offers straight to your inbox. To subscribe go to www.qantas.com/au/en/travel-info/email-subscription.html.
- 2 Where possible, schedule travel as early as possible to take advantage of lower fares. The first seats sold on a flight are typically the cheapest while the last few tend to be more expensive. Booking at short notice can mean that you'll pay more than someone who booked further in advance. We recognise it is not always possible to book in advance and therefore we offer discounted fares for residents in selected regional communities to make last minute travel more accessible.
- 3 Be flexible with travel dates, and if possible, schedule travel outside of peak times such as during school holidays or major sporting events.
- 4 Register to become a Qantas Frequent Flyer (QFF) member to start earning Qantas Points and Status Credits which can be used to redeem flights or upgrade.
- 5 Download the free Qantas App from the Apple Store to receive fare notifications for your chosen destination. To set an alert, open the Qantas App on your device, select 'Fare Alert' and follow the prompts.

Qantas Red Email Subscription

Get the latest flight offers and travel reviews delivered straight to your inbox. Be inspired and subscribe below.



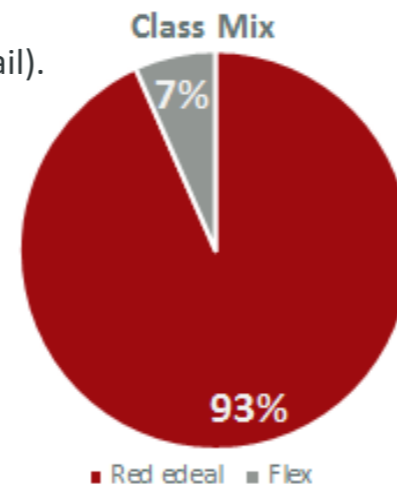
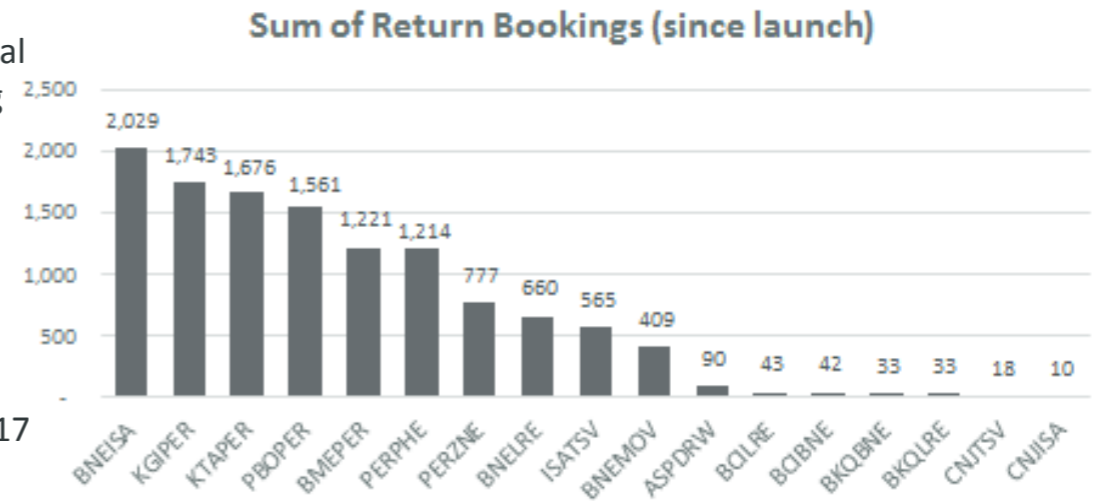
Personal details

To help us personalise your experience and provide you with relevant deals and inspiration

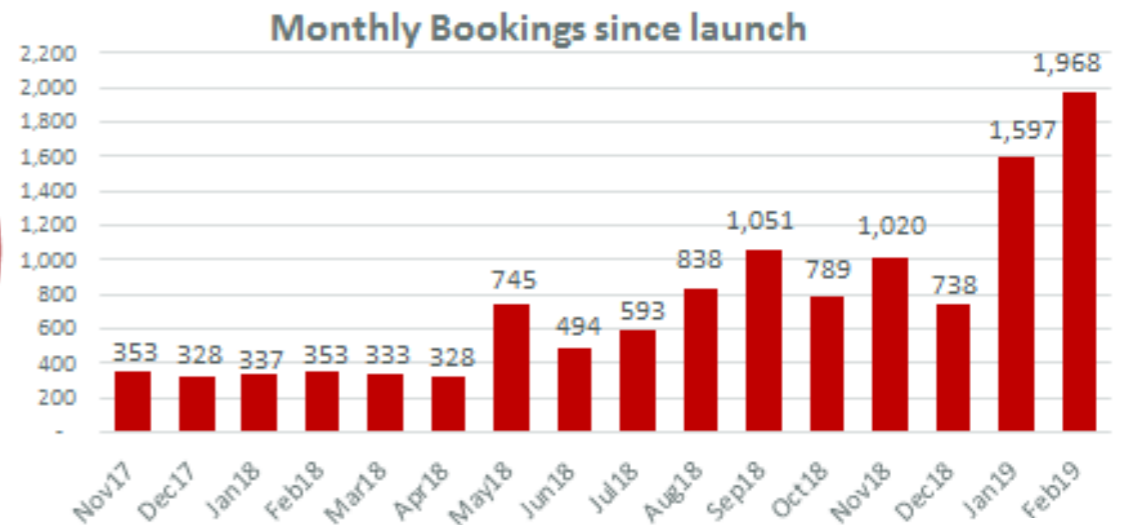
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Preferred name (optional)	
<input type="text"/>	
Email address	Confirm email address
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Country/Territory of residence	City/State
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Our Resident Fares program continues to see growth in regional markets, enabling locals to access cheaper fares

- Launched the Qantas Discounted Fares for Residents Program in 2017 in **eight** regional markets where residents compete with a very high proportion of corporate travel (eg Newman, Kalgoorlie and Cloncurry), and extended in 2018 to a further **five** impacted by their remoteness and limited travel options (eg Alice Springs and Longreach).
- The program has seen **more than 12,000 return bookings** since its inception, with Mount Isa, Kalgoorlie and Karratha being the top three markets.
- Launched an **exclusive sale in January, providing additional discounts** and sales of ~1,300 return bookings. This was in addition to a similar promotion in September 2017 offering travel over the Christmas and January holiday period.
- **Continued focus from the Qantas Marketing team** to highlight attractive regional sale fares (eg Qantas Red email).
- We have asked regional airports to assist Qantas to deliver savings to residents via the Qantas scheme but only three of 14 have agreed to participate.
 - KGI offers full rebate.
 - ISA/LRE offer discounts in line with program.
- Only **116 return bookings** since launch have included a **Y class fare**.



Qantas. (2019). Top QDFFR bookings by market.



We're listening and responding to regional markets

- Qantas applies pricing controls on markets when deemed necessary.
 - Natural disasters – Townsville fares capped to Red eDeal during floods, Cyclone Debbie.
 - Special events – Back your team initiative offering AFL/NRL fans sale fares for grand final weekend with option to change flights if their team doesn't make it to the final.
 - During pilot shortage in 2017, most expensive fares were suspended from sale until we restored capacity.
 - Relief fares for passengers impacted by JETGO.
- Conducted focus groups in regional ports to understand what is most important to residents.
 - Schedule, on time performance and pricing.
 - Discounted fares for residents received well.

Longreach, we are listening

There's been a lot of discussion lately about regional air travel. And frustration that the fares you pay are often higher than fares between capital cities.

We are listening.

We know how important air transport is to regional Australia and we want to explain what we're doing.

Here are the factors behind the price you pay:

- Regional fares can be higher than flights between big population centres and that has a lot to do with the scale and economics of larger operations. The costs of operating a large jet between Melbourne and Sydney are spread across up to 300 seats while the costs of operating a small turboprop between Longreach and Brisbane are divided among around 70 seats, so the cost per passenger carried is significantly higher.
- The first seats sold on a flight are typically the cheapest while the last few are the most expensive. If you travel at short notice, you'll pay more than someone who booked three months earlier. Less than 2 per cent of people buy these higher fares but they are the ones people talk about most.
- Some of our regional routes actually run at a loss. Others are close to break even. Busy flights and higher last minute fares do not equal super profits.
- There is a global shortage of pilots that is impacting how many regional flights we can operate, and that has impacted prices.

All airlines face these factors. But we're taking action to make regional transport more accessible while also keeping it commercially viable.

- We're suspending from sale our most expensive fares in key regional markets to reduce the cost of last minute travel while we look at options to add more flights.
- We've introduced discounts of up to 30 per cent for residents in markets where locals are competing with the resources industry for seats.
- Longreach residents have access to resident fares of \$175 one-way to Brisbane, and we'll continue offering sale fares
- We're establishing the Qantas Group Pilot Academy in regional Australia, training up to 500 pilots a year to make sure the industry has access to the skills it needs to keep flying.
- We're working with the government to temporarily bring in simulator instructors and experienced pilots from overseas so we can fly more, sooner.

Qantas was born in the outback. And we're a big part of the communities we serve – providing jobs, supporting tourism, and buying goods and services.

There are some fundamental realities about regional services that we can't change but we are working to make sure travel options are both accessible and sustainable.



John Gissing
QantasLink CEO

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Qantas. Longreach, we are listening. Local advertisement to promote awareness of fare-spike mitigation initiatives.

Qantas participates in a range of schemes designed to provide benefits to residents of regional communities

- Qantas provides discounted fares to residents in two independent schemes in partnership with the Queensland Government:
 - Regulated routes (Central 1 and Central 2); and
 - Local Fares Scheme in Far North Queensland.
- Qantas also runs and operates its own *discounted fares for residents* program.
 - 20-30 per cent off all year round Economy fares.
 - Over 12,000 return trips booked since 2017.
 - Bookable online or through local travel agents.
- Qantas is also licenced by the NSW Government to operate the Sydney-Lord Howe Island and Sydney-Moree routes.
 - Discounted fares are also offered to Lord Howe Island residents for personal travel.

Scheme	QLD Regulated Routes Resident Fare	QLD Local Fares Scheme	Qantas Discounted Fares for Residents Program
Administered by	Qantas	Qantas/TMR	Qantas
Itinerary	One way or return to/from BNE to LRE/BKQ/BCI/RMA /CTL	WEICNS & HIDCNS	Selected Intra-WA, Intra-QLD and NT markets
Class of travel	Q class	All except entry level and sale fares	All Economy Classes (except for Sale)
Minimum residents fare	\$176 – BNELRE \$139 - BNERMA	\$99 each way = \$198 return	20% off Red eDeal (Q)
Maximum residents fare	\$619 - BNELRE \$465 - BNERMA	WEICNS - \$395 each way HIDCNS - \$438 each way	30% off Flex (Y + B)
Limits	Unlimited	12 times per year	12 times per year
Eligibility	Proof of residency	Council letter Resident >3 years	Must be a frequent flyer and provide proof of residency
Booking via local ticketing agent	Yes	Yes	qantas.com or via local agent
Personal travel only	Yes	Yes	Yes
Photo ID on departure	No	Yes	No
Qantas report monthly to TMR	No	Yes	No
Discount	Fixed fare	Up to \$200 each way	20-30%

Three stages of partnership – how airlines, airports, governments and local stakeholders can work together to reduce cost and stimulate market demand

