

The background of the slide features a blurred image of a Qantas aircraft tail, showing the white kangaroo logo on a red and white background. The overall color scheme is a gradient from blue on the left to red on the right.

Qantas Airways

Investor and Analyst Briefing

18 September 2001

Domestic Capacity Additions

- From Friday 14 to Monday 17 September inclusive:
 - 55 extra flight legs scheduled and operated
 - Of these, 27 were operated with B747-400 aircraft
 - Upgrade of narrow body capacity to wide body capacity

Regional Capacity Additions

- From Friday 14 to Monday 17 September inclusive:
 - 154 extra flight legs scheduled and operated by Qantas regional aircraft
 - 74 flight legs operated by other regional operators
 - to 22 of the 34 regional destinations previously served solely by Ansett

Effect on Passenger Loads

- From Friday 14 to Monday 17 September inclusive:
 - Normal Fri-Mon uplift is 172,000 passengers
 - Actual uplift for this period was 237,000 passengers (up 37%)
 - Achieved an overall domestic seat factor of 95%

Sources of Additional Capacity

Ansett fleet:

- A320 fleet - specifically the wet lease of 10 aircraft on a short-term basis
- B767-300 and some regional aircraft



Sources of Additional Capacity

- Redeployment of capacity from US route, following a reduction in services from 31 to 25 per week
- Lease of one B747-400 aircraft from British Airways, for use on JSA route



Sources of Additional Capacity

- Lease of two B767-300 aircraft from Air Canada
- Access to a number of other B767-300 aircraft from Air Canada and British Airways



Approach to Fares

- Focus on shifting as many people affected by Ansett closure as possible
- Ansett passengers who are “stranded” have access to free seats until 27 September
- Ansett passengers commencing new journeys will have access to special discount fares as available

Questions & Answers

How do recent events affect the fleet plan announced last year?

At this stage, we don't anticipate any impact.

We believe that large capacity is essential for our domestic operations - the A330's will be brought into the domestic fleet as delivered. We are looking to take delivery of these as soon as possible to meet our domestic capacity requirements.

With regard to the international operations, we will continue with our plans to introduce B747-ER capacity. The first of these aircraft is due in November next year.

Have international forward bookings fallen away?

No, we are seeing a reduction in demand in the US, as expected.



Questions & Answers

What fleet flexibility do you have should the fall in demand spread to other routes?

It's too early to give an indication on the international market, as we are only beginning to see the repercussions.

We have the ability to accelerate the retirement of a number (4) of older B747-200 aircraft. We will retire the B747SP (2) aircraft as originally planned.

All of the capacity we are seeking to lease will be on a very short term basis, of up to 60 days, as we do not yet know what the market will look like.

Depending on economic conditions, we may be able to fund the additional domestic flying out of our existing fleet.

To what extent is the ability to take Ansett's feed internationally having a positive impact?

It's too early to quantify.

Qantas is in a strong position with regard to inbound and outbound tourism in Australia. We will seek to capitalise on this, but we will not be in a position where we are perceived as "gouging" the market.

For example, Bali is a market that will need consolidation quickly, as will certain ports in Japan. We will increase our presence in Osaka from B767 capacity to B747 capacity.

These are significant opportunities to offset the declines on the US route. While it is too early to tell, we do not believe the outlook is too negative for us.

Questions & Answers

What has happened to Ansett's slots and terminals?

They remain with the administrator for 28 days from the date of liquidation, after which time they revert to the slot manager/airport owners if no buyer for the assets is found.

Qantas may seek access to the terminals if they are converted to common-user terminals in order to satisfy our capacity requirements.

Where do you think your domestic market share will settle?

This is dependent on any new entrants coming into the market, and how quickly Virgin Blue is able to expand.

Our calculations show that we have carried approximately 80 percent of Ansett's load to date.

We don't believe our current market share will be sustained in the longer term, though expect an increase over that previously held.

Questions & Answers

What is a reasonable level to justify reinvestment in the business?

Our clear focus is to keep this company in a sound financial position, and we will only reinvest if we can ensure returns above our cost of capital.

Have you seen any increase in your insurance premiums?

Not yet. Although we expect a significant increase going forward as a result of events in the US.

What is your fuel hedging position?

We have taken a higher hedge position following events in the US.

Will you continue to reduce staff numbers?

We have frozen those processes until we can get a clearer indication of the environment going forward.

We anticipate staff numbers will grow, to what extent we don't know.

Have you had to change your flight paths as a result of events in the US?

We are currently negotiating for a new FANS route, and have already opened up one route with the Chinese and Cathay Pacific.

Questions & Answers

What is the risk of cabotage being introduced in the domestic market?

It is fairly likely, although we don't see this as an issue in either the short or long term. Other carriers cannot offer enough capacity to constitute a viable risk to us.

What is the likely timing for the start-up of Australian Airlines?

We haven't yet finalised our plans at this early stage. We are looking at the possibility of starting the airline earlier using B767 capacity.

How are negotiations proceeding with the unions?

We have frozen all EBA negotiations and are currently concentrating on the impact of recent events.

Will you be leasing or buying the additional new capacity?

No decision has been made at this stage.

Questions & Answers

Do you have any plans to raise equity given capacity requirements?

We have no immediate need for equity. We will wait to see how the market unfolds and what our capacity needs are. We have room within our existing targets to take on additional debt, as well as to utilise operating cashflows.

Do you have any interest in the regional operations of Ansett?

Yes, we are expressing an interest in these assets.

Have you been able to negotiate any subsidies in respect of regional operations?

This has not been discussed to date, and will be more of a medium term issue.

Are you considering a ticket levy for fuel and insurance?

We are discussing this issue with IATA, as it is one that affects all airlines.

Questions & Answers

Has the number of discount fares been reduced?

Discount fares are made available based on capacity availability. We are presently making a large number of discount fares available to Ansett passengers.

What is the availability of frequent flyer seats?

Seats for this period would've already been taken up. There has not been any change in policy going forward.

How do you see Singapore's intentions domestically?

They may see parts of Ansett as an opportunity, or see an opportunity through Air New Zealand.

Have you had any further discussions with Government in relation to the foreign shareholding limit?

No, not at this stage.

Questions & Answers

Will you be able to realise the book value of your 747-200 and SP aircraft on disposal?

Yes. The assets have previously been written down to scrap value, given their age.

What scope is there for capacity dumping in the domestic market by other international carriers?

We saw that through the Gulf War and will likely see it again. The extent will depend on consumer demand in Australia for international air travel.