



20 October 2023

Lachlan Wilson
Committee Secretary
House of Representatives Standing Committee on Economics
Inquiry into Promoting Economic Dynamism, Competition and Business Formation
CANBERRA ACT 2600

By email: economics.reps@aph.gov.au

Dear Committee Secretary,

QUESTIONS ON NOTICE – INQUIRY INTO PROMOTING ECONOMIC DYNAMISM, COMPETITION AND BUSINESS FORMATION

I refer to the Qantas Group's appearance before the House of Representatives Standing Committee on Economics on 29 August 2023 and your letter of 4 October 2023.

Responses to the Questions on Notice posed in your letter are set out in Appendix A.

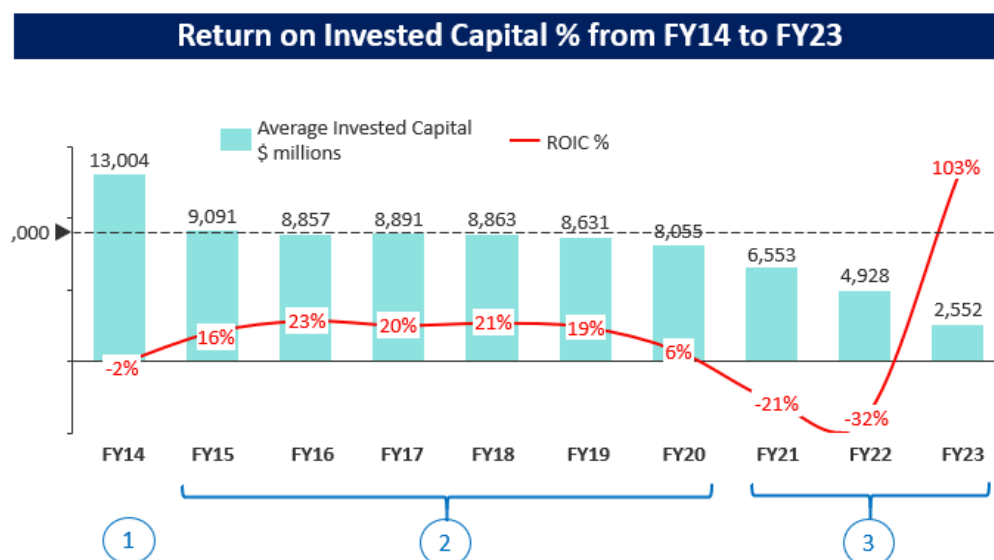
Kind regards,

Andrew McGinnes
Group Executive, Corporate Affairs
Qantas Airways Limited



QUESTIONS**1. Provide the return on invested capital for the last decade.**

Return on invested capital (**ROIC**) for the 2014 to 2023 financial years is set out in the figure below and following comments.



1	FY14: Fleet restructuring costs and impairment of wide body aircraft in Qantas' International fleet resulted in a step down of invested capital between FY14 and FY15.
2	FY15 - FY19: Invested capital was consistently around \$9 billion.
3	<p>FY20 - FY23: Invested capital declined temporarily as a result of:</p> <ul style="list-style-type: none"> • Deferred aircraft deliveries and minimised capex; • Continued depreciation; and • Revenues Received in Advance (RRIA) increasing as operations recommenced when borders re-opened. <p>FY23: ROIC is elevated compared with the last decade as a result of two key drivers:</p> <ul style="list-style-type: none"> • Record earnings in FY23; and • Temporary factors during COVID-19 (as outlined above in FY20 - FY23) meaning invested capital being less than half of what it was before COVID-19. <p>Beyond FY23: ROIC will moderate as invested capital rebuilds with new aircraft deliveries, the removal of temporary factors that impacted RRIA and working capital stabilises.</p>

2. Have letters have been sent to postal addresses of those holding COVID credits?

On 31 August 2023, Qantas announced the removal of expiry dates on all COVID credits. This means that customers holding a Qantas COVID Flight Credit can request a cash refund at any point in the future and customers with a Jetstar COVID voucher can use it for travel indefinitely.

The Qantas Group has not sent letters by post to customers who hold COVID flight credits.

When a flight booking is made, customers are only required to enter an email address and phone number, postal addresses are not collected. Accordingly, emails, text messages and phone calls are the primary forms of communication with our customers.

Qantas collects postal addresses of Frequent Flyers as part of the membership process, but members are not required to keep their postal addresses up to date and Qantas does not validate if they are. As a result, post is utilised very infrequently compared to email.

The Qantas Group has taken significant steps to assist customers to use their COVID flight credits, including:

- Sending monthly direct communications (email and, more recently, text messages) to COVID Flight Credit holders with reminders and usage assistance;
- Placing full page advertisements about credit usage in mainstream media, particularly in connection with sales;
- Offering double frequent flyer points to incentivise credit usage;
- Multiple media releases to drive awareness of credits, linked to special offers or improvements to the credits system, including:
 - *15 December 2022 - QANTAS ENCOURAGES CUSTOMERS TO USE TRAVEL CREDITS WITH DOUBLE POINTS OFFER;*
 - *16 March 2023 - QANTAS AND JETSTAR CUSTOMERS GIVEN MORE TIME TO USE COVID CREDITS;*
 - *26 June 2023 - QANTAS PUSH FOR MORE CUSTOMERS TO REUNITE WITH COVID CREDITS; and*
 - *31 August 2023 - QANTAS GROUP REMOVES EXPIRY DATE ON COVID CREDITS;*
- Establishing a Travel Credits Hub as a one-stop destination for all information relating to flight credits;
- Providing enhanced support, including a Credit Concierge, which provides customers with a dedicated help line with specially trained staff;
- Prominently positioning a credit banner on our websites to direct customers to relevant information;
- Providing financial incentives for travel agents to encourage their customers who hold credits to use them; and
- Launching a 'Find My Credit' online tool to help customers who may have lost their original credit details.

3. Will you commit to sending letters by post to those customers who hold COVID flight credits who you have an address for?

The total COVID credit balance has reduced by almost 75 per cent from a COVID period high and continues to fall, with more than a third connected to bookings made through travel agents, who are responsible for contacting their clients directly. In those circumstances, and as set out in response to Question 2 above, Qantas is confident that contacting customers who hold COVID flight credits by email and text message is working and does not propose to send letters by post. Our recent shift to text message communication has had particularly impressive results, with 20 per cent of the 30,000 customers with credits we contacted by text message two weeks ago responding within two days. We intend to prioritise this communication channel moving forward.

RECIEVED 31 AUGUST 2023

BREAKDOWN OF COVID CREDIT – QANTAS GROUP

As previously disclosed, total COVID-era credits reached \$2 billion as flights were cancelled and travel plans changed as result of ongoing border uncertainty. In February 2023, the Group reported that \$1.2 billion of credits had been claimed, leaving a balance of around \$800 million.

This figure has continued to fall each week and the total number of credits remaining is now around \$570 million, consisting approximately of:

- \$365 million belonging to Qantas customers in Australia
- \$90 million belonging to Jetstar customers in Australia
- \$115 million belonging to Qantas and Jetstar customers overseas

Of this total, about \$180 million is connected to bookings made through travel agents, who are responsible for contacting their clients directly.

All of these amounts were reflected in the original \$2 billion figure that has been widely reported and are not 'new'.

More recently, we have focused on credits owing to Qantas customers in Australia because these represent the biggest single group by number and value. (In June 2023, this figure was just over \$400 million.) However, efforts to reach out directly to all customers have continued.