



# Media Release

## **UNION ACTION COSTS QANTAS \$68 MILLION TO DATE**

**SYDNEY, 28 October 2011:** The financial impact on Qantas from the industrial campaign being taken by the licensed engineers' union, pilots' union and Transport Workers' Union has reached \$68 million.

The uncertainty caused to passengers by the ongoing industrial action is costing Qantas approximately \$15 million per week in lost revenue.

Qantas Chief Executive Officer Alan Joyce said the situation was now very serious and was impacting both passengers and the company's bottom line.

"This drawn out and coordinated industrial campaign by these three unions is now having a major impact on Qantas," Mr Joyce said.

"\$68 million is a significant impact on the company and the costs will continue to rise. In comparison, the impact on Qantas from grounding aircraft during the recent volcanic ash cloud was \$49 million.

"Agreeing to the union's unreasonable demands would have a far greater cost on the company including risking the future of Qantas.

"We remain committed to our strategy to build a better and stronger Qantas."

The total number of passengers impacted by the industrial action since August, including today's strikes by the TWU, is 70,922 from 129 cancelled flights and 387 delayed flights.

In addition, Qantas has grounded seven aircraft - four Boeing 767s and three Boeing 737s – due to ongoing concerns about the reliability of the fleet and a backlog of maintenance due to union action. This has led to the cancellation of 500 flights and the removal of 88,000 seats from sale.

### **Updated Outlook Statement**

Qantas today provides the following outlook statement:

- Yield excluding foreign exchange in first half 2011/12 is expected to be between 4 per cent and 6 per cent higher than in first half 2010/11.
- The Group expects to increase capacity in first half 2011/12 by between 6 per cent and 7 per cent compared to first half 2010/11 whilst maintaining flexibility.
- As at 25 October 2011, the disruptions caused by industrial relations action taken by the Australian Licenced Aircraft Engineers Association, Australian and International Pilots Association, and Transport Workers' Union are estimated to have an unfavourable impact of \$68 million in first half of 2011/12. Any future action will increase the unfavourable impact on the Group's profitability.



- As at 25 October 2011, underlying fuel costs for first half 2011/12 are estimated to increase by circa \$500 million from \$1.7 billion in first half 2010/11 to circa \$2.2 billion due to higher forward market jet fuel prices and increased flying. Fuel surcharges, fare increases and hedging are being used to mitigate the impact of fuel price rises but are unlikely to fully offset the cost increase.

As previously disclosed, the first half 2010/11 result included:

- A change in the estimates to Frequent Flyer accounting, with a total favourable impact of \$89 million. In first half 2011/12 the equivalent impact is expected to be \$5 million with no further impact in future periods, and
- The impact of the Rolls Royce engine failure on QF32 and the subsequent temporary grounding of the Airbus A380 Fleet which had an unfavourable impact of \$55 million.

The outlook for the remainder of first half 2011/12 remains volatile and given the uncertainty in global economic conditions, fuel prices, foreign exchange rates, and the industrial relations environment, as well as a major transformational change agenda underway, it is not possible to provide profit guidance at this time.

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