

## Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> <li>(i) the Government of any other country or any agency of such a Government; or</li> <li>(ii) any international organisation</li> </ul>
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

**In Confidence**

Office of the Minister of Transport  
Cabinet Economic Policy Committee

**Civil Aviation Authority Pricing Review**

**Proposal**

- 1 This paper reports back on the outcomes of the Civil Aviation Authority of New Zealand's (the Authority<sup>1</sup>) public consultation on its proposed levies, fees and charges and seeks agreement to:
  - 1.1 new rates for levies, fees and charges with pricing flexibility for the Civil Aviation Authority (CAA) and Aviation Security Service (AvSec); and

s 9(2)(f)(iv)

**Relation to government priorities**

- 2 The Government has committed to a programme of fiscal sustainability. These proposals align with our focus on responsible spending, restoring fiscal discipline, right-sizing government's footprint, and improving the efficiency and productivity of spending.

**Executive Summary**

- 3 The Authority is conducting its first pricing review for CAA since 2017, and the first since 2019 for AvSec. The review will determine interim funding for the two-year period between 1 July 2025 and 30 June 2027. A first principles review, beginning in early 2025, will ensure the Authority is right sized to deliver its functions effectively and efficiently in the longer term.
- 4 From 27 August to 8 October 2024, the Authority consulted on three sets of options. The options varied based on whether funding would be raised via increased passenger levies, or a mixture of these levy increases with increases in other levies, fees, and charges. 'Other levies, fees, and charges' in this document refers to levies, other than passenger safety and security levies, as well as regulatory fees and charges. Each option would recover the same total revenue, which would be used to partially rebuild reserves depleted during COVID-19, and enable the continuation of the Authority's business without additional Crown funding. Options referenced in this document are in Appendix A.
- 5 Through the consultation process, submitters' concerns generally related to the scale of the increases, and a need to find efficiencies, reduce costs, or find alternative funding sources. Many did not indicate a preference for how funding is raised.

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<sup>1</sup> "The Authority" refers to the Civil Aviation Authority of New Zealand as a whole; AvSec refers to the Aviation Security Service, a business group within the Authority; CAA refers to the remainder of the Authority excluding the AvSec business group.

Generally, airlines and airports supported a balance between passenger levies and other levies, fees, and charges. General aviation submitters primarily supported relying wholly on passenger levies to increase revenue.

*Decisions to give effect to the Board's revised proposal*

6 In considering the submissions, the Authority's Board has identified cost savings through reductions to proposed increases in staff levels, resulting in reduced levies compared to those consulted on. The Board has proposed two options for achieving the revenue level sought for CAA, and has identified a preferred option for AvSec. I am seeking agreement to the Board's proposal as follows:

6.1 For CAA, either:

6.1.1 Increase passenger safety levies to cover all increased costs, with no increase to other levies, fees, and charges (consistent with the approach in Option 3 in the consultation); or

6.1.2 Increase passenger safety levies to cover most increased costs, with a 10 percent increase to other levies, fees, and charges.

6.2 For AvSec, raise the domestic and international passenger security levies by a similar proportion each (consistent with Option 1 in the consultation).

7 I am also seeking approval to state the new rates as maximums, to allow flexibility for the Authority to reduce them as it identifies efficiencies.

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*Delivering better outcomes for travellers and improved value for money*

9 Since taking office, I have been concerned about the focus of the Authority and its overall performance and efficiency. While it will take time to turn around the Authority's performance, I have already taken several actions to ensure it is focussed on value for money and delivering better outcomes for travellers as a priority. This includes refreshing the Board in August, and through my Letter of Expectations, seeking improved reporting and performance.

10 The Authority has several new measures in its Statement of Performance Expectations, reflecting my expectations of improved performance, including:

- improved certification timelines for new applications and amendments for all certification types, as well as a specific measure around Part 102 applications where processing times rose to an unacceptable average of 11 months;
- greater transparency around queue times and overall throughput; and
- greater transparency around participant satisfaction.

- 11 Funding for additional staff and resources covered by the proposals in this paper will support the Authority to deliver on these performance expectations and ultimately lead to improved experience for the travelling public.

## Background

- 12 The Authority is the Crown Entity responsible for regulating the civil aviation system. As a whole, the Authority carries out a wide range of regulatory functions including engagement, education, communication, certification, licensing, monitoring (including audit and inspection), investigation, and enforcement.
- 13 In this paper, AvSec refers to the business unit in the Authority responsible for delivering aviation security. Its functions include passenger and cargo screening, behavioural detection teams, explosive detector dog teams, and perimeter patrols at six security-designated airports and air navigation facilities across the country. This will expand to seven security-designated airports from 2025. The remainder of the Authority is referred to as the CAA, which includes both the safety and security regulatory oversight functions.
- 14 Despite operating under a full cost recovery model, the Authority's costs have not been met by income from levies, fees, and charges since 2020. This is due to a decrease in passengers resulting from COVID-19, inflationary pressures, and changing security standards. During this time, the Authority exhausted its reserves and Crown funding has supported the shortfall. I have publicly stated that Crown subsidisation must end on 30 June 2025.
- 15 There is a range of factors requiring a need for levy, fee, and charge increases, including, but not limited to out-of-date pricing rates; managing more complex applications for emerging technology; implementing new legislative compliance activity requirements and functions such as the behavioural detection function and Explosive Dog Detector unit; and a backlog of policy and Civil Aviation Rules work.
- 16 On 7 August 2024, I announced a refresh of the Board to ensure that the Authority is focused on delivery and achieving value for money. I directed the Board to identify efficiencies to further reduce the rates originally consulted on.

## The Authority received 126 submissions on its proposal

- 17 The Authority undertook public consultation from 27 August to 8 October 2024. Across the 126 submissions, there was broad concern about the scale of the increases and the ability of various segments of the aviation industry to be able to pay. Many submissions received from airlines and airports identified that the scale of the increases on passenger levies could impact demand for flights. General aviation submitters were also concerned about the impact the proposed increases would have on their businesses. The impact of increases on tourism was also raised.
- 18 Where a preference was given for CAA, airlines, and airports generally supported Option 1 due to what they considered to be a reasonable distribution of increases amongst the sector. General aviation submitters typically supported Option 3 due to it not including any increase in other levies, fees, and charges and, therefore, not impacting on their businesses.
- 19 Views on AvSec's options were less pronounced. More than half of all submitters stated that they did not have a preference, did not agree with any option, or did not select a preferred option. This is because there were more submissions from the

general aviation sector overall, and they do not pay these passenger levies. Airlines, airports, and key industry associations generally signalled either a preference for Option 1, a single combined levy, or no preference.

### The Board provided a revised proposal after consultation

20 Following the consultation, the Authority looked for further savings. It identified opportunities to reduce proposed resourcing, specifically, staff numbers. Consequentially, it has amended its proposals to enable a reduction the levy increases. In summary:

20.1 For CAA (consistent with Option 3):

20.1.1 Passenger safety levies increase by 148 percent rather than 156 percent (from \$1.60 to \$3.96).

20.1.2 No increases to other levies, fees and charges.

20.2 For AvSec (consistent with Option 1):

20.2.1 Domestic security levies increase by 65 percent rather than 66 percent (from \$6.57 to \$10.84).

20.2.2 International security levies increase by 70 percent rather than 72 percent (from \$13.12 to \$22.35).

20.3 Building in pricing flexibility to allow future efficiencies to be reflected in further reduced rates.

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21 The approach for CAA, with no proposed increase in other levies, fees, and charges, reflects significant concerns from the general aviation sector that the proposed 43 percent increase would have a significant negative impact on their economic viability, as well as safety outcomes.

### My subsequent engagement with the Board

22 Since consultation ended, I have been engaging with the Board. I am particularly interested in the other levies, fees, and charges, as not pursuing any increase in these appears to be out of step with cost recovery principles and policy. Additionally, given there has been no adjustment in safety-related fees, charges and levies for since 2017, excluding the general aviation sector from an increase now amplifies the increases that will be faced by that sector in future years.

23 The Board considered my concerns and provided an additional option (referred to in this document as the Hybrid Option). This Hybrid Option would see a smaller increase to passenger safety levies to cover most increased costs, along with a 10 percent increase to other levies, fees, and charges. While it only has a small consequential impact on passenger safety levy rates, it is more aligned with cost recovery principles, in reflecting the costs of the system driven by the general aviation sector.

24 The Authority, working with the Ministry of Transport (the Ministry), will commence work on a first principles funding review in early 2025. This review will examine how

costs are recovered and instruct the setting of levies, fees, and charges from 1 July 2027. Without predetermining the outcome of that review, it is likely that the general aviation sector may need to pay a higher proportion of the costs it imposes with respect to system safety risks it generates. A small increase now may help soften likely future increases.

*Alignment of options with cost recovery policy and principles*

- 25 Option 3 for CAA is least aligned with Treasury's Guidelines for Setting Charges in the Public Sector (the Guidelines). Whether the current mix of levies, fees, and charges used to recover the Authority's operational costs is optimal is not addressed in the pricing review. The first principles funding review will address this matter.
- 26 I am satisfied that all of these proposals are consistent with the both the Civil Aviation Act 1990 (the 1990 Act) and the Civil Aviation Act 2023 (the 2023 Act), which comes into effect on 5 April 2025.

*Impact of staffing reductions to realise levy decreases*

- 27 The Authority consulted on increasing its staffing levels by 237 full-time equivalents (FTE). The final proposal reduces that number by 129 FTE to realise the reduced levy rates. This is still a sizeable increase in available staff and I expect the Authority to continue to identify further efficiency gains, and reduce certification wait times and security screening.
- 28 Alongside the pricing review, changes to organisational structure, systems, and processes, will ensure the Authority is better placed to meet the expectations of passengers, the aviation sector and Government, as set out in the Authority's SPE. This will result in a decrease in the backlog of certification applications, due to investment in more efficient processes, and a modest increase in resource to better meet sector demand.
- 29 Additional resources will be targeted to those areas of expertise required to support economic growth in the sector, and the Government's ambitions in relation to advanced aviation technology. Aligning the AvSec workforce with forecast volume and demand will reduce the amount of time passengers need to wait for aviation security screening, and will increase the number of passengers processed within SPE targets.

*Pricing flexibility option to enable additional levy decreases*

- 30 The Authority proposes that regulations be amended to set levies at a maximum level, which can be reduced over time as efficiencies are identified. I support this proposal as it would be in line with my preference for lower levies, and my commitment to a more efficient Authority that is well-placed to enable growth in the sector.
- 31 Given the limited time available, the Authority has made a reasonable attempt to identify immediate opportunities to reduce costs, and is passing these on through lower levy rates. I have made it clear to the Board that I expect the Authority to identify more opportunities to reduce levies, fees, and charges. The Board is reviewing FTE growth back to 2017. If efficiencies are found in the coming months, they could be reflected in adjusted levies, fees, or charges, should Cabinet agree with the proposed pricing flexibility approach.



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### Operational implications

- 36 The majority of resourcing sought through these increases to levies, fees, and charges is to cover previous FTE growth and inflationary pressures. Without these increases, the Authority will need to reduce in size to a level where it will not be able to undertake its core regulatory functions effectively; passengers will need to arrive earlier at airports and wait longer for aviation security screening; and certification wait times will increase for those in the aviation system, and those wishing to enter the aviation system, particularly in the emerging aviation technologies space.

### Timing implications

- 37 Should Cabinet not agree with the Authority's recommendations, further work will be needed to ensure the Authority's funding is sufficient over the next two years. This will reduce the amount of time the Authority will have to liaise with airlines to allow changes to be reflected in ticket prices, noting airlines typically prefer at least six months of advance notice. I expect the new levies, fees, and charges will be in place by mid-2025.

### Cost-of-living implications

- 38 Increases in passenger safety and security levies will be passed on to passengers through the ticket price. Industry submissions received during the consultation highlighted that the Authority had not sufficiently considered the impacts of

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<sup>2</sup> Imposition of a capital charge could have a small impact on the amount available for repurposing and associated levy reductions

recovering cumulative inflationary impacts since the current rates were last adjusted in 2017 and 2019, and rebuilding its financial reserves, on the traveling community.

- 39 The Board indicated it had concerns about the ongoing viability of general aviation businesses should Option 1 for CAA be selected. The Authority applied a cumulative inflation figure of 43 percent across other levies, fees and charges. They have since revised the figure to 31 percent. While this is an improvement, it would still result in significant increases to other levies, fees, and charges. Applying a 10 percent increase on other levies, fees and charges is well below the cumulative inflation calculated for the period since the previous funding reviews. It also falls under calculations made by some industry associations.

### Financial implications

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### Aviation security screening arrangements consultations

- 41 On 27 September 2024, the Ministry released a document for targeted consultation titled '*Investigating alternative delivery arrangements for aviation security services*'. Consultation ran for eight weeks and closed on 22 October 2024. The consultation's purpose was to gauge industry's appetite to deliver specific aviation security services at airports, before committing to a specific pathway that could deliver more effective and efficient outcomes.
- 42 Seventeen submissions were received with limited consensus between submitters on a viable alternative delivery model. I am now considering advice from officials before making a decision on next steps.

### Legislative implications

- 43 The 1990 Act is the current enabling legislation. On 5 April 2025, the 1990 Act is being replaced by the 2023 Act. This is the legislation that will apply for the implementation of the new regulations. Changes to give effect to the new levies, fees, and charges, and to set a maximum levy rate with scope to make further reductions, can be actioned through regulations. The Ministry will examine whether amendments to the existing regulations will suffice, or whether they should be repealed and replaced. The Ministry will instruct the Parliamentary Counsel Office.

### *Risk of regulations review*

- 44 The Regulations Review Committee is most likely to be interested in the variation between the proposed approach and the consultation proposal. Option 3 for CAA and Option 1 were both consulted on. The Hybrid Option falls within a range of options considered, and would likely be considered a reasonable decision. I am satisfied the



proposals have been made in accordance with the objects and intentions set out in the enabling legislation.

*Risk of judicial review*

- 45 Judicial review will determine whether the decision was made in accordance with the law and within the range of reasonable decisions that could have been made. The preferred options were consulted on, and the Authority considered a range of alternatives. The Hybrid Option falls within a range of options considered and would likely be considered a reasonable decision. Therefore, the Authority's approach appears defensible.

**Regulatory Impact Statement**

- 46 The Authority has prepared an updated Cost Recovery Impact Statement (CRIS) (Appendix B).
- 47 Due to compressed timelines to ensure the funding review can be implemented by 1 July 2025, there was limited time for the Authority to undertake a full Regulatory Impact Assessment (RIA). This Stage 2 Cost Recovery Impact Statement (CRIS) has been reviewed by a panel of representatives appointed by the Ministry of Transport. It has been given a 'does not meet' rating against the quality assurance criteria for the purpose of informing Cabinet decisions.
- 48 While significant work has gone into this CRIS, it does not present the information in a clear, coherent manner to support good decision-making around this pricing review. Options are not assessed against criteria and the advantages and disadvantages of the options are not clearly spelt out. This makes it difficult for the reader to identify the best option or mix of options.

**Climate Implications of Policy Assessment**

- 49 A Climate Implications of Policy Assessment (CIPA) is not required for this proposal.

**Tourism implications**

- 50 Airlines and airports raised the potential impact on demand for flights and tourism as a result of the increased levies. In August 2024, the Ministry conducted an analysis of potential passenger demand responses to the increase in passenger safety and security levies of the preferred options consulted on. The analysis indicated a small potential drop of approximately 0.33 percent in international travel and a drop of just over 1 percent in domestic travel.

**Population Implications**

- 51 General aviation industry submissions generally highlighted that proposed increase in hourly fees will heavily impact the cost viability of small business. The New Zealand Agricultural Aviation Association (NZAAA) highlighted potential implications of the changes on rural general aviation businesses stating the risk to the general public from agricultural aviation activities undertaken in rural areas is considerably less than the risk of air transport operations. NZAAA stated the Authority was levying the agricultural aviation sector disproportionately.

- 52 The Board was swayed by the weight of these submissions but there has not been an analysis of these claims.

#### **Treaty of Waitangi/Tiriti o Waitangi**

- 53 These proposals do not have any Treaty of Waitangi implications.

#### **Human Rights**

- 54 These proposals are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

#### **Consultation**

- 55 The Ministry has consulted with the Department of Prime Minister and Cabinet, the Treasury, the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, the Civil Aviation Authority, Te Puni Kōkiri, and the New Zealand Customs Service.

#### **Communications**

- 56 I will announce the proposal at a stakeholder event in December 2024 to allow the Authority to formally notify airlines on new levies.

#### **Proactive Release**

- 57 I intend to proactively release Cabinet and Cabinet committee papers and minutes within 30 business days of decisions being confirmed by Cabinet, unless there is a good reason not to publish all or part of the material.

#### **Recommendations**

I recommend that the Committee:

- 1 note that following consultation on its pricing review, the Civil Aviation Authority has identified full-time equivalent reductions that will enable lower levies, fees, and charges than it consulted on

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- 2 note that the Civil Aviation Authority has made two alternative proposals for the Minister of Transport's consideration to increase revenue to fund its regulatory functions, reduced to reflect identified cost savings

EITHER

- 3 agree to accept the Authority's proposal to increase revenue for the Civil Aviation Authority consistent with Option 3 it consulted on, consisting of:

- 3.1 a 148 percent increase in passenger safety levies, and
- 3.2 no increase to other levies, fees, and charges

OR

- 4 agree to accept the Authority's proposal to increase revenue for the Civil Aviation Authority through a Hybrid Option, consisting of:

- 4.1 a 145 percent increase in passenger safety levies, and
- 4.2 a 10 percent increase to other levies, fees, and charges

- 5 note that the Civil Aviation Authority has made a revised proposal for the Minister of Transport's consideration to increase revenue to fund the Aviation Security Service, at a reduced rate compared to its consultation proposals, to reflect identified cost savings

- 6 agree to the Board's preferred option for the Aviation Security Service to increase revenue through

- 6.1 a 66 percent increase in the domestic passenger security levy, and
- 6.2 a 70 percent increase in the international passenger security levy

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Once the Minister has approved the draft Cabinet paper for lodgement for Cabinet or a Cabinet committee, this section should be updated to state 'Authorised for lodgement'.

Hon Simeon Brown

Minister for Transport

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**Appendix A – Original levies, fees and charges options released for public consultation and new revised options**

CAA Options	Proposed Passenger Safety Levy	Proposed other levies, fees, and charges
<b>Status quo</b> All levies, fees, and charges remain the same as set in 2017	\$1.60	\$246.96/hr
<b>OPTIONS RELEASED FOR CONSULTATION</b>		
<b>Option 1 (preferred in consultation):</b> All levies, fees, and charges are adjusted for inflation, with funding for residual costs recovered through increasing the passenger safety levies	\$3.94 +146%	\$354.19/hr +43% for levies, fees and charges
<b>Option 2:</b> Increase all levies, fees, and charges by the same percentage	\$3.65 +128%	\$563.31/hr +128% for levies, fees and charges
<b>Option 3:</b> Increase passenger safety levies to cover all increased costs, with no increase to other levies, fees and charges	\$4.09 +156%	No change to other levies, fees charges
<b>POST CONSULTATION OPTIONS (including full-time equivalent reductions)</b>		
<b>EITHER: Option 3</b> Increase passenger safety levies to cover all increased costs, with no increase to other levies, fees, and charges	\$3.96 +148%	No change to other levies, fees, and charges
<b>OR: Hybrid Option</b> Increase passenger safety levies to cover most increased costs, with a 10 percent increase to other levies, fees, and charges	\$3.92 +145%	\$271.66/hr +10% for levies, fees, and charges

AvSec Options	Domestic Passenger Security Levy	International Passenger Security Levy
<b>Status quo</b> Levies remain the same as set in 2019	\$6.57	\$13.12
<b>OPTIONS RELEASED FOR CONSULTATION</b>		
<b>Option 1 (preferred in consultation):</b> Raise the domestic and international passenger security levies by the same/similar proportion	\$10.93 +66%	\$22.54 +72%
<b>Option 2:</b> Raise the international passenger security levy only	\$6.57 +0%	\$26.19 +100%
<b>Option 3:</b> Create a new single combined levy	\$16.36 +149%	\$16.36 +25%
<b>POST CONSULTATION PROPOSAL (including full-time equivalent reductions)</b>		
<b>Option 1 (with staff reductions)</b> Raise the domestic and international passenger security levies by the same/similar proportion	\$10.84 +65%	\$22.35 +70%



# Cabinet Economic Policy Committee

## Minute of Decision

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### Civil Aviation Authority Pricing Review

**Portfolio**                      **Transport**

On 11 December 2024, the Cabinet Economic Policy Committee:

- 1        **noted** that:
  - 1.1      in August 2024, ECO agreed to the release of consultation documents Civil Aviation Authority of New Zealand Pricing Review and Investigating Alternative Delivery Arrangements for Aviation Security Services [ECO-24-MIN-0159];
  - 1.2      following consultation on its pricing review, the Civil Aviation Authority (the Authority) has identified full-time equivalent reductions that will enable lower levies, fees, and charges than it consulted on;
- 2        **noted** that the Authority has made two alternative proposals for the Minister of Transport's consideration to increase revenue to fund its regulatory functions, reduced to reflect identified cost savings;
- 3        **agreed** to accept the Authority's proposal to increase its revenue through a hybrid option, consisting of:
  - 3.1      a 145 percent increase in passenger safety levies; and
  - 3.2      a 10 percent increase to other levies, fees, and charges;
- 4        **noted** that the Authority has made a revised proposal for the Minister of Transport's consideration to increase revenue to fund the Aviation Security Service, at a reduced rate compared to its consultation proposals, to reflect identified cost savings;
- 5        **agreed** to the Authority Board's preferred option for the Aviation Security Service to increase revenue through:
  - 5.1      a 66 percent increase in the domestic passenger security levy; and
  - 5.2      a 70 percent increase in the international passenger security levy;

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- 8 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions.

Rachel Clarke  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
Hon David Seymour (Chair)  
Hon Shane Jones  
Hon Simeon Brown  
Hon Erica Stanford  
Hon Paul Goldsmith  
Hon Louise Upston  
Hon Judith Collins KC  
Hon Todd McClay  
Hon Tama Potaka  
Hon Melissa Lee  
Hon Penny Simmonds  
Hon Chris Penk  
Hon Nicola Grigg  
Hon Andrew Bayly  
Hon Andrew Hoggard  
Hon Mark Patterson  
Simon Court MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for ECO

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# Cabinet

## Minute of Decision

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### Civil Aviation Authority Pricing Review

**Portfolio**                      **Transport**

On 16 December 2024, following reference from the Cabinet Economic Policy Committee (ECO), Cabinet:

- 1        **noted** that:
  - 1.1      in August 2024, ECO agreed to the release of consultation documents *Civil Aviation Authority of New Zealand Pricing Review* and *Investigating Alternative Delivery Arrangements for Aviation Security Services* [ECO-24-MIN-0159];
  - 1.2      following consultation on its pricing review, the Civil Aviation Authority (the Authority) has identified full-time equivalent reductions that will enable lower levies, fees, and charges than it consulted on;
- 2        **noted** that the Authority has made two alternative proposals for the Minister of Transport's consideration to increase revenue to fund its regulatory functions, reduced to reflect identified cost savings;
- 3        **agreed** to accept the Authority's proposal to increase its revenue through a hybrid option, consisting of:
  - 3.1      a 145 percent increase in passenger safety levies; and
  - 3.2      a 10 percent increase to other levies, fees, and charges;
- 4        **noted** that the Authority has made a revised proposal for the Minister of Transport's consideration to increase revenue to fund the Aviation Security Service, at a reduced rate compared to its consultation proposals, to reflect identified cost savings;
- 5        **agreed** to the Authority Board's preferred option for the Aviation Security Service to increase revenue through:
  - 5.1      a 66 percent increase in the domestic passenger security levy; and
  - 5.2      a 70 percent increase in the international passenger security levy;

s 9(2)(f)(iv)

- 8 **agreed** that the Minister of Transport will implement regulatory changes to set levy, fees, and charges rates at a maximum level, and allow flexibility to further reduce rates as the Authority identifies efficiencies;
- 9 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions.

Rachel Hayward  
Secretary of the Cabinet

*Secretary's Note: This minute replaces ECO-24-MIN-0301. Cabinet agreed to add paragraph 8.*

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# Cabinet

## Minute of Decision

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### Report of the Cabinet Economic Policy Committee: Period Ended 13 December 2024

On 16 December 2024, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 13 December 2024:

Out of Scope

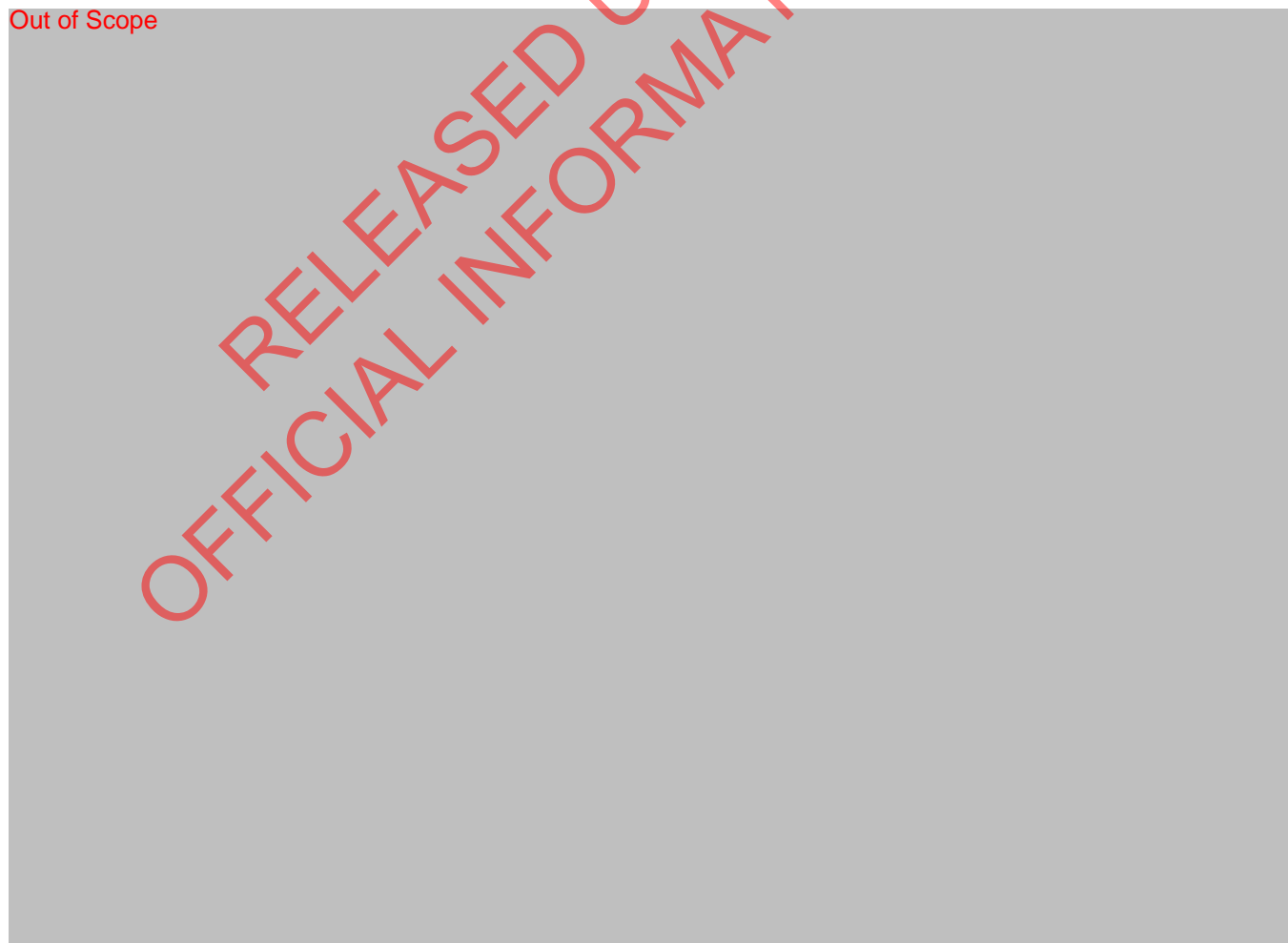


ECO-24-MIN-0301

**Civil Aviation Authority Pricing Review**  
Portfolio: Transport

Separate minute:  
CAB-24-MIN-0504.01

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Out of Scope



Rachel Hayward  
Secretary of the Cabinet

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