


OC240577

25 June 2024



Tēnā koe 

I refer to your email dated 27 May 2024, requesting the following briefing papers under the Official Information Act 1982 (the Act):

- OC240270 — *Meeting with Air New Zealand*
- OC240273 — *Meeting with Board of Airline Representatives New Zealand*
- OC240310 — *Aide Memoire: Ministerial Meeting with the Civil Aviation Authority*
- OC240282 — *Meeting with Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited*
- OC240276 — *Attendance at Regional Airport Summit*
- OC240362 — *Meeting with Wellington International Airport*
- OC240419 — *Meeting with Jon Duffy, Chief Executive of Consumer New Zealand*

I am releasing all seven briefings to you with some information withheld or refused. The document schedule at Annex 1 details how the briefings have been treated.

The following sections of the Act have been used:

- | | |
|--------------|---|
| 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 interest that such information should continue to be supplied |
| 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)(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
- 18(c)(i) the making available of the information requested would be contrary to the provisions of a specified enactment

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Hilary Penman
Manager, Accountability & Correspondence

Annex 1 - Document Schedule

| Doc# | Reference | Document | Decision on release |
|------|-----------|---|--|
| 1 | OC240270 | Meeting with Air New Zealand | Release with some information withheld or refused under Sections 9(2)(a) and 18(c)(i). |
| 2 | OC240273 | Meeting with Board of Airline Representatives New Zealand | Release with some information withheld under Section 9(2)(a). |
| 3 | OC240310 | Aide memoire: Ministerial Meeting with the Civil Aviation Authority | Release with some information withheld under Sections 9(2)(a), 9(2)(ba)(ii), 9(2)(f)(iv) and 9(2)(g)(i). |
| 4 | OC240282 | Meeting with Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited | Release with some information withheld under Section 9(2)(a). |
| 5 | OC240276 | Attendance at Regional Airport Summit | Release with some information withheld under Sections 9(2)(a), 9(2)(b)(ii) and 9(2)(f)(iv). |
| 6 | OC240362 | Meeting with Wellington International Airport | Release with some information withheld under Sections 9(2)(a), 9(2)(ba)(i) and 9(2)(g)(i). |
| 7 | OC240419 | Meeting with Jon Duffy, Chief Executive of Consumer New Zealand | Release with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv). |

25 March 2024

OC240270

Hon Simeon Brown
 Minister of Transport

MEETING WITH AIR NEW ZEALAND

Snapshot

You are meeting with Air New Zealand's Chief Executive, Greg Foran. This will be an opportunity to discuss a range of issues of interest to the government and the airline. This briefing covers issues Air New Zealand has put on the agenda for the meeting.

| | |
|----------------------------|---|
| Time and date | 5:00 – 5:30pm, 27 March 2024 |
| Venue | Minister's office, EW5.1, Beehive |
| Attendees | Greg Foran, Chief Executive, Air New Zealand |
| Officials attending | Bronwyn Turley, Deputy Chief Executive, Regulatory |
| Agenda | <ul style="list-style-type: none"> Operational update (engine issues affecting schedule) Long-term aviation outlook for Auckland region |
| Talking Points | See Annex 1 |

Contacts

| Name | Telephone | First contact |
|--|-----------|---------------|
| Bronwyn Turley, Deputy Chief Executive, Regulatory | s 9(2)(a) | ✓ |
| Tom Forster, Manager, Aviation and Maritime | | |
| Shereen Faraj, Policy Advisor, Aviation and Maritime | | |

Meeting with Air New Zealand

Key points

- Air New Zealand is experiencing operational challenges with some of the engines used in its aircraft fleet, causing it to make schedule changes and pausing flights on three international routes.

s 18(c)(i)

- Air New Zealand has expressed concerns about Auckland Airport's proposed level of investment (\$3.9 billion). The airline believes this will lead to increased aeronautical charges and potentially unaffordable airfares for some passengers, which will damage demand for air travel.
- Air New Zealand has requested that the Minister of Commerce and Consumer Affairs launch an inquiry under the Commerce Act as it believes the current regulation is failing to constrain overspending by Auckland Airport.
- As the Commerce Commission is still assessing Auckland Airport's pricing for the 2022 – 2027 price setting event, the Minister of Commerce has indicated he would await the conclusion of this process before deciding on whether to request an inquiry into whether airports should be subjected to further forms of regulation.

Air New Zealand's Operational Update

Aircraft engine issues

- 1 Air New Zealand has been experiencing issues with the engines on some of its Boeing 787 aircraft which has caused it to alter its schedule. These aircraft are powered by Rolls-Royce Trent 1000 engines.
- 2 Air New Zealand continues to be impacted by challenges with availability of Rolls-Royce Trent 1000 engines. As a result of the global shortage of Rolls-Royce engines, three of Air New Zealand's Boeing 787 aircraft will be unavailable for an extended period of time.
- 3 Air New Zealand has also been experiencing engine issues with the A320/A321 aircraft. These aircraft are powered by Pratt & Whitney engines.
- 4 In July 2023, Pratt & Whitney disclosed a condition affecting the maintenance plan for the Geared Turbofan (GTF) jet engine fleet. Up to 700 engines globally will be impacted over the next three years, with the effect on global aviation felt most in 2024.

- 5 Air New Zealand has 32 A320/321 aircraft in its fleet of 108 aircraft, serving Australia, the Pacific Islands and domestic New Zealand. While this maintenance issue does not present a safety risk, it has caused Air New Zealand to revise its flight schedule because of adjustments made to the engine maintenance plan.

Impact of the engine issues

- 6 Air New Zealand has reorganised most of its schedule by consolidating some flying and moving aircraft to different routes. Most customers who are impacted will still fly on the same day. Some on international flights will be reaccommodated to services a day either side of their original booking and some may have a cabin change due to a different aircraft being used.

- 7 Air New Zealand will pause three of its international routes:

- Auckland – Chicago from 31 March (B787)
- Auckland - Seoul from 1 April 2024 (B787), and
- Auckland - Hobart from 5 April 2024 (A320).

s 18(c)(i)

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Auckland Airport Development Plan

- 14 In March 2023, Auckland Airport announced a \$3.9 billion development plan, which includes an integrated terminal for domestic jet and international services
- 15 Air New Zealand has expressed concerns about Auckland Airport's proposed level of investment. The airline believes this will lead to increased aeronautical charges and potentially unaffordable airfares for some passengers, which will damage demand for air travel.
- 16 Air New Zealand has lodged an official request with the Minister of Commerce seeking an urgent inquiry into the regulation of airports under the Commerce Act as it believes the current regulation is failing to constrain overspending by Auckland Airport.
- 17 Air New Zealand notes that the aeronautical charges at Auckland Airport is forecast to increase from \$9 per domestic passenger today to \$46 per domestic passenger in 2032, which will make flying unaffordable for some Kiwis unless there is regulatory change.

Airport competition settings

- 18 Since 2010, Auckland, Wellington and Christchurch airports have been subject to information disclosure regulation under Part 4 of the Commerce Act 1986 (which regulates markets where there is little or no competition).
- 19 The Commerce Commission undertakes reporting and monitoring under the Commerce Act, and the Minister of Commerce is the responsible Minister.
- 20 Information disclosure is the highest form of regulation under Part 4. Airports must disclose a range of information annually and at each five-yearly price-setting event. The Commission reports on the disclosed information but it does not have the power to compel airports to change their prices.
- 21 Airlines have long argued for a move to negotiate/arbitrate regulation which is the next step up the regulatory ladder under the Commerce Act. Airports would be required to negotiate with airlines on prices and quality, and, if negotiation was unsuccessful, to enter into binding arbitration.
- 22 Air New Zealand is a member of The Board of Airline Representatives New Zealand (BARNZ). You will be meeting with Cath O'Brien, the Executive Director of BARNZ, on Thursday 27 March. BARNZ's position differs slightly from Air New Zealand's, in that it accepts a negotiate/arbitrate regime would be complex to set up, require consultation, and would not necessarily be needed for all regulated airports.
- 23 BARNZ suggest that Auckland Airport should be subjected to an Individual Price-Quality Path (IPP) regulation such as applies to electricity lines businesses.
- 24 The price-quality paths that are set under this form of regulation are intended to influence the behaviour of those businesses by limiting what they can recover from their consumers. Each business is constrained by either the maximum average prices that it can charge, or the total revenue it can recover from its consumers. The paths

also set standards for the quality of service that each business must meet. This ensures that businesses do not have incentives to reduce quality to maximise profits under their price-quality path.

- 25 An inquiry would still be required to introduce an IPP style of regulation for Auckland Airport.
- 26 As the Commerce Commission is still assessing Auckland Airport's pricing for the 2022 – 2027 price setting event, the Minister of Commerce has indicated he would await the conclusion of this process before deciding on whether to request an inquiry into whether or not airports should be subjected to further forms of regulation.
- 27 The Commission intends to publish a draft report by June 2024, with a final report by the end of 2024.

Other Issues

Monitoring of airfares

- 28 New Zealand airports are calling for domestic airfares and airline performance to be disclosed to provide greater transparency for consumers amid record-high domestic fares.
- 29 Data released by Stats NZ showed domestic airfares went up 7.4% in February compared to January 2024. Year-on-year domestic fares increased from February 2023 by 7.7%.
- 30 The Civil Aviation Act 2023 enables regulations to be made requiring information disclosure by aviation sector participants, including passenger rights and performance data. Disclosing data could help increase transparency to aid consumer choice and place downward pressure on airfares. However, given limited competition in the domestic market, many customers will not be able to make alternative choices. Airlines, including Air New Zealand, have previously raised concerns about disclosure of this type of information as they view it as commercially sensitive.

Biography



Greg Foran, Chief Executive Officer

Greg Foran started as Chief Executive Officer of Air New Zealand on 3 February 2020.

He joined the airline from Walmart US where he was Chief Executive Officer from 2014 to 2019. He was responsible for the strategic direction and performance of the company's 4,600 stores and more than 1 million staff.

He joined Walmart International in 2011 and served in several capacities, including President and CEO of Walmart China. Prior to joining Walmart International he held several senior positions with Woolworths.

Greg attended Advanced Management Programs at Harvard University and the University of Virginia. He also holds a Diploma in Management from the New Zealand Institute of Management.

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Annex 1: Talking Points

MEETING WITH AIR NEW ZEALAND

Operational issues

- Is Air New Zealand considering other measures such as leasing of aircraft to mitigate widescale disruption to its schedules?
- Are there other operational issues, apart from engine issues, that are preventing Air New Zealand from meeting flight schedules?

s 18(c)(i)

Auckland issues

- How is the relationship between Air New Zealand and Auckland Airports, given recent media articles from both organisations about Auckland Airport's proposed investments?
- Why do you think the benefits of moving to a negotiate/arbitrate regime for airports would exceed the costs of regulation?

Information disclosure

- What are your views on the call by airports for the Ministry to develop regulations to require airfare disclosure?
- Are there other key aviation statistics that should be included in any information disclosure regime for the sector?

26 March 2024

OC240273

Hon Simeon Brown
Minister of Transport

MEETING WITH BOARD OF AIRLINE REPRESENTATIVES NEW ZEALAND

Snapshot

You are meeting with Executive Director of the Board of Airline Representatives New Zealand (BARNZ), Cath O'Brien. This will be an opportunity to discuss a range of issues important to airlines and aviation. This briefing covers issues BARNZ has put on the agenda for the meeting.

| | |
|----------------------------|--|
| Time and date | 3.30 – 4.00 pm, 28 March 2024 |
| Venue | Minister's office, EW5.1 |
| Attendees | Cath O'Brien, Board of Airline Representatives NZ |
| Officials attending | Bronwyn Turley, Deputy Chief Executive, Regulatory Group |
| Agenda | Topics for discussion are covered in this briefing. |
| Talking points | See Annex 1 |

Contacts

| Name | Telephone | First contact |
|---|-----------|---------------|
| Bronwyn Turley, Deputy Chief Executive – Regulatory Group | s 9(2)(a) | ✓ |
| Tom Forster, Manager, Aviation and Maritime | | |

Meeting with Board of Airline Representatives New Zealand

Key points

- BARNZ is a not-for-profit incorporated society representing various aviation-related entities, has objectives to establish communication, represent members, and determine positions on legislative actions.
- BARNZ have criticised Auckland Airport's \$3.9 billion infrastructure plans and pricing, suggesting it will lead to increased aeronautical charges and potentially unaffordable airfares for some passengers, which will damage demand for air travel.
- BARNZ is advocating for a change to the regulatory regime for airports. Whilst it prefers negotiate/arbitrate regulation, it has recently proposed moving Auckland Airport to Individual Price-Quality Path regulation similar to electricity lines businesses.
- BARNZ is calling for stronger strategic leadership in aviation. The Interim Aviation Council which has just been set up, is a first step towards achieving a more strategic leadership for the sector.
- BARNZ notes that the absence of an overarching aviation strategy for New Zealand is problematic, as a strategy would inform the criticality of air connections for New Zealand and associated decisions on important critical infrastructure needs.
- BARNZ wants a clear government strategy to support a consistent supply of sustainable aviation fuel to reduce transport emissions.
- BARNZ supports the introduction of minimum fuel stockholding obligation for jet fuel suppliers. From 1 January 2025, fuel importers will be required to hold enough jet fuel in New Zealand to provide 24 days of cover on average each month.

Background

- 1 The Board of Airline Representatives of New Zealand (BARNZ) is an incorporated society representing 26 member airlines, and five non-airline organisations associated with the airline and aviation industries.
- 2 The objectives of BARNZ include:
 - the establishment of recognised means of communication between its members and other bodies whose interests or actions affect its members and the aviation industry
 - representing its members in matters affecting common interests
 - determining members' position on legislative, judicial, and administrative actions affecting the provision of air services and the representation of members before decision-making bodies.

BARNZ has been critical of Auckland Airport's infrastructure plans and pricing and wants stronger regulation

- 3 In March 2023, Auckland Airport announced a \$3.9 billion development plan, which includes an integrated terminal for domestic jet and international services.
- 4 BARNZ has been particularly critical of the airport's pricing practices, arguing that they result in monopoly pricing and inflated air travel costs due to an inadequate regulatory framework. It has also expressed concerns about the airport's infrastructure deficit and high capital works costs.
- 5 Since 2010, Auckland, Wellington and Christchurch airports have been subject to information disclosure regulation under Part 4 of the Commerce Act 1986 (which regulates markets where there is little or no competition). Information disclosure, the lightest form of regulation, mandates airports to annually disclose a range of information and at every five-year price-setting event. The Commission reports on the disclosed information, but it does not have the power to compel airports to change their prices.
- 6 Airlines, including Air New Zealand, have long advocated for a shift to negotiate/arbitrate regulation, which would require airports to negotiate with airlines on prices and quality, and, if negotiation was unsuccessful, to enter into binding arbitration.
- 7 Air New Zealand has lodged an official request with the Minister of Commerce seeking an urgent inquiry into the regulation of airports under the Commerce Act as it believes the current regulation is failing to constrain overspending by Auckland Airport.
- 8 BARNZ considers that negotiate/arbitrate is the best form of regulation for airports overall. However, implementing it for the first time will be a lengthy and complex process. BARNZ are of the view that, in the meantime, Auckland Airport should be subjected to an Individual Price-Quality Path (IPP) regulation such as applies to electricity lines businesses.
- 9 Price-quality paths are intended to influence business behaviour by limiting what they can recover from their consumers. Each business is constrained by either the maximum average prices that it can charge or the total revenue it can recover from its consumers. The paths also set service quality standards to disincentivise businesses from reducing quality for profit maximisation.
- 10 An inquiry would still be required to introduce an IPP style of regulation for Auckland Airport. The Minister of Commerce has indicated he would wait to decide whether airports should be subjected to further forms of regulation until after the Commerce Commission concludes its assessment of Auckland Airport's pricing for the 2022 – 2027 price-setting event. The Commission intends to publish a draft report by June 2024, with a final report by the end of 2024.

Strategic leadership in aviation

- 11 BARNZ is calling for stronger strategic leadership in the aviation sector. This is in line with the recommendations made by the independent panel that conducted the Air Navigation Systems Review.
- 12 The Panel concluded that the system is safe and well-regarded. However, the Panel identified a lack of system thinking and leadership, which leads to risks to aviation system integrity and performance, security and resilience, and New Zealand's ability to benefit from emerging technologies.
- 13 The Panel recommended:
 - A ministerially appointed interim and permanent Aviation Council with whole-of-system oversight responsibilities
 - A new and long-range National Aviation Policy Statement (NAPS)
 - A Flight Plan for New Zealand: a medium-term direction for aviation and air navigation.
- 14 In response to the Panel's recommendations, the Ministry has convened an Interim Aviation Council comprised of senior leaders from the public and private sectors, including Cath O'Brien who represents BARNZ on the Council.
- 15 The first meeting of the Interim Aviation Council took place on 15 March 2024. A key issue discussed was the development of a National Aviation Policy Statement. Council members agreed that the policy statement should recognise the key role that aviation plays in the economy and be ambitious for the future.
- 16 We will work with the Council to develop a National Aviation Policy Statement and prioritise action on other Panel recommendations.

Critical aviation infrastructure

- 17 BARNZ notes that the absence of an overarching aviation strategy for New Zealand is problematic, as a strategy would inform the criticality of air connections for New Zealand and associated decisions on important critical infrastructure needs.

Airport infrastructure for the South Island

- 18 BARNZ has supported Christchurch Airport's plans to investigate a new airport for the Central Otago region at Tarras. This is because from around 2032, it is likely that Queenstown Airport would not be able to accommodate any further growth as this will be capped under the Queenstown Lakes District Council noise boundaries.
- 19 Christchurch Airport has paused its consideration of the Tarras option for now, citing the need for additional time to assess the project's impacts and to consult with both local and national stakeholders.

System resilience

- 20 Ohakea airbase is used by many international flights to Auckland as an emergency alternative port. Airplanes are required to be able to make an emergency landing at an alternative port if needed.
- 21 When Ohakea is not available as an emergency alternative, airplanes need to use another alternative port, generally Christchurch Airport. Using Christchurch requires planes to carry more fuel, which affects aircraft weight, and therefore passenger and freight capacity.
- 22 The arrangement with the New Zealand Defence Force (NZDF) has benefited New Zealand, the environment, and airlines; including significant fuel cost savings and reducing aviation CO₂ emissions by around 300,000 tonnes since 2011.
- 23 However, there have been longstanding issues with the availability of fire-fighting crews at Ohakea, which has limited its availability for use as an alternative port.
- 24 BARNZ has been working with the NZDF to support an increase in fire-fighting capacity, and arrangements are underway to put more capacity in place. Ohakea is still not yet available 24/7, and interim measures are being used to maintain the required rescue fire service staffing levels.

Alternative fuels for transport are important for our decarbonised future

- 25 Domestic aviation accounts for approximately six percent of New Zealand's CO₂ emissions. A collaborative effort from government and industry will be necessary to decarbonise this sector.

Biofuels and hydrogen may play a significant role in reducing transport emissions

- 26 Biofuels have the capacity to play a significant role in reducing transport emissions. They offer a practical alternative to fossil fuels in aviation, shipping, and heavy road freight where low emission vehicles are prohibitively expensive or are still being developed.

Sustainable Aviation Fuel (SAF) will be a key energy source to decarbonise aviation – domestically and internationally

- 27 SAF are a type of advanced biofuel commonly produced from wastes and residues, though they can also be produced synthetically. SAF offers a strong fuel decarbonisation lever for the aviation industry, which has limited options that can be implemented once operational efficiencies, such as optimisation of flight routes and increasing jet engine energy efficiency, are exhausted.
- 28 Fuel switching is one of the few viable methods of reducing aviation greenhouse gas emissions without curbing demand, particularly for long-haul flights where electrification and hydrogen are not yet viable. However, SAF remains one of the most expensive forms of biofuels available, retailing at around two to eight times more than the cost of conventional jet fuel. This makes it challenging for airlines to introduce higher SAF blends into their jet fuel supply.

- 29 BARNZ, acknowledging the significance of sustainable aviation for New Zealand's prosperity, advocates for SAF to reduce greenhouse gas emissions and achieve net-zero CO₂ emissions by 2050. They call for a clear government strategy to support a consistent SAF supply chain, emphasising the need for government backing.

Sustainable Aviation Aotearoa (SAA)

- 30 SAA was established in 2022, as a public-private partnership (akin the to the UK's Jet Zero Council), to provide advice and coordination to accelerate the decarbonisation of New Zealand's aviation sector.
- 31 BARNZ is a member of both the Sustainable Aviation Fuels (SAF) working group, and the Strategy working group, under the SAA structure.
- 32 The SAF working group is making progress in identifying the different policy options and what approaches other countries are taking towards SAF.
- 33 The Ministry and the Ministry of Business, Innovation, and Employment (MBIE) are considering how work on SAF should be reflected in the upcoming consultation document on the second Emissions Reduction Plan

Jet fuel resilience

- 34 Jet fuel supply has been raised by airports and airlines as an area of great concern.
- 35 In September 2017, the pipeline that carries jet fuel from Marsden Point to Auckland ruptured with no alternative route that could supply jet fuel quickly enough to meet normal demand. Airlines flying out of Auckland Airport had to limit their use of jet fuel to 30 percent of their usual usage, which caused significant flight disruptions.
- 36 There were further disruptions to jet fuel supply at Auckland Airport in December 2022 and Wellington Airport in April and December 2023. These were caused by jet fuel imports not meeting fuel quality standards when tested on arrival. Many flights were affected during the two Auckland Airport incidents, while there were fewer disruptions to flight schedules during the Wellington Airport incidents.
- 37 BARNZ has emphasised the importance of New Zealand's jet fuel supply for maintaining air connectivity. It has expressed concerns about the system's vulnerability due to some imported fuel shipments not meeting quality standards.
- 38 MBIE is the lead agency for the fuel sector. MBIE led the development of the Fuel Industry (Improving Fuel Resilience) Amendment Act 2023 (the Act), which provides for the minimum fuel stockholding obligation (MSO). In March 2024, the Associate Minister of Energy announced an investigation into the feasibility of reopening Marsden Point Oil Refinery.
- 39 From 1 January 2025, fuel importers will be required to hold enough jet fuel in New Zealand to provide 24 days of cover on average each month. For compliance with this obligation, they can only count jet fuel stock in bulk storage tanks in New Zealand or on a vessel in New Zealand's Exclusive Economic Zone scheduled for delivery to New Zealand.

- 40 BARNZ supports the introduction of MSO for jet fuel suppliers and suggests measures to boost resilience, such as increasing the stockholding requirement to 32 days, ensuring onshore stockholdings pass import acceptance testing, and distributing storage requirements across the network.

Biography



Cath O'Brien, Executive Director of Board of Airline Representatives NZ

Cath O'Brien, the leader of BARNZ, is a passionate advocate for aviation recovery in New Zealand. With a regulatory background in aviation and energy, she understands the needs of BARNZ members and effectively advocates for them, especially in matters of regulated airport pricing. Prior to joining BARNZ in 2022, Cath spent five years at Air New Zealand as Head of Regulatory Affairs, where she worked on legislative changes for sustainable aviation and navigated the Covid-19 response. Internationally connected, Cath has been a board member for Airlines for Australia and New Zealand (A4ANZ) and maintains relationships with bodies like IATA. She holds a Masters in Art History from the University of Auckland and has received executive education from the London School of Economics and Harvard University.

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Annex 1: Talking Points

MEETING WITH BOARD OF AIRLINE REPRESENTATIVES NEW ZEALAND

Infrastructure Investment Disputes

- What is the relationship like between airlines and Auckland Airport, given Auckland Airport's proposed investments?

Regulatory Changes

- Why do you think the benefits of moving to a negotiate/ arbitrate regime for airports would exceed the costs of regulation?
- What are the likely benefits of moving to an Individual Price-quality regulatory regime for Auckland Airport?

Strategic Leadership

- How can we further strengthen the strategic leadership in aviation, building on the start made by the Interim Aviation Council?

National Aviation Policy Statement

- What key elements does BARNZ believe should be included in a national aviation policy statement to address critical infrastructure needs?

Ohakea Airbase

- I have been briefed by officials on the resilience challenges faced by the Air Force to keep Ohakea airbase available as an alternative runway for international flights.
- I note that the Air Force has made Ohakea available again as an alternative runway, even though this is at restricted daily hours as an interim measure while more RFS staff are trained.
- What are your expectations for the ongoing use of Ohakea as an alternative runway?

Sustainable Aviation Fuel (SAF)

- How do your members plan to overcome the challenges associated with the high cost of SAF, and what support do they seek from the government in this regard?

Jet Fuel Resilience

- What specific measures does BARNZ propose to enhance jet fuel supply resilience and how will these measures address the system's vulnerability?



27 March 2024

Hon Simeon Brown

Minister of Transport

AIDE MEMOIRE: MINISTERIAL MEETING WITH THE CIVIL AVIATION AUTHORITY

To: Hon Simeon Brown, Minister of Transport

From: Richard Cross, Director, Investment & Monitoring

Date: 11:00am, 27 March 2024

OC Number: OC240310

Purpose

- 1 This Aide Memoire will provide you with a brief update on the current status of the Civil Aviation Authority's Funding Review as well as supplementary information with respect to complaints made regarding certification backlogs which were received by your office over the last few weeks.
 - 1.1 In attendance for the Ministry will be Richard Cross, Director of the Investment & Monitoring Group.

CIVIL AVIATION AUTHORITY FUNDING REVIEW

- 2 Following the information request submitted to the Authority on 7 March 2024 outlining that the Ministry was to undertake a detailed assessment of the Civil Aviation Authority's (the Authority) funding proposals, the Authority has been fully cooperative and supplied all additional information within the prescribed timelines. Ministry staff are now working through this information and have supplied the Authority with follow-up questions. We are on track to provide you with advice by the agreed timeline of 5 April 2024.
- 3 This advice will provide our views on which aspects of the funding proposals should progress, and include a draft letter for you to send to the Authority outlining the changes you would like them to make. s 9(2)(g)(i)

- 4 s 9(2)(f)(iv)

s 9(2)(f)(iv)

SPECIFIED AMOUNT SOUGHT

5 On 14 March 2024, the Authority provided you with a briefing noting that in order to reduce passenger screening queues over the summer peak period, it had employed temporary staff, increased overtime and reduced training and annual leave taken. The additional financial cost incurred as a result was \$1.5 million as at 29 February 2024.

6 s 9(2)(f)(iv)

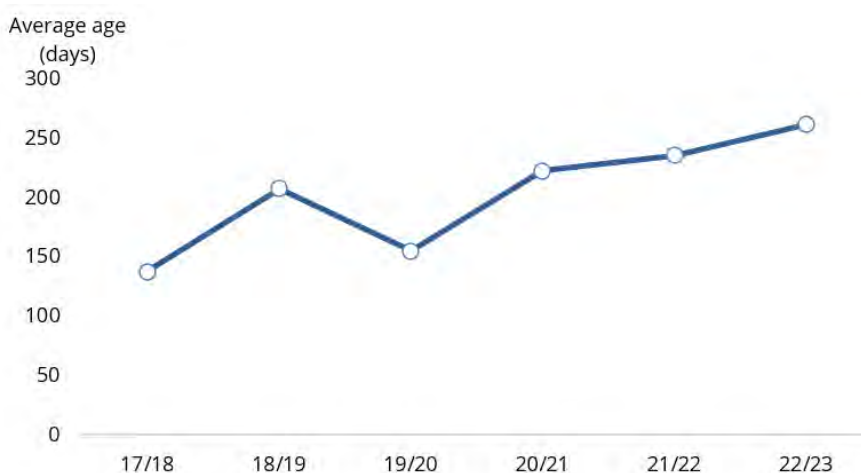
COMPLAINTS ABOUT CERTIFICATION BACKLOGS

7 In recent months you have received a number of complaints and concerns about workload pressures and growing certification backlogs across the CAA's regulatory business. This has included aircraft operators, which have commonly but not exclusively been drone operators, who have lost business as a result of slow processing times which they regard as being much slower than in other jurisdictions such as Australia.

8 s 9(2)(ba)(ii)

9 In its draft funding review proposals, the CAA has noted that average processing times have increased significantly since 2017/18, as illustrated in the figure below.

s 9(2)(f)(iv) and s 9(2)(g)(i)



TALKING POINTS

10 FUNDING REVIEW

You may wish to ask the Authority:

- s 9(2)(f)(iv)
- Have any business cases been prepared to clearly demonstrate the need for additional investment in specific parts of the Authority and if so, what the projected return on investment is expected to be?

11 COMPLAINTS ABOUT CERTIFICATION BACKLOGS

You may wish to ask the Authority:

- What it is doing to monitor processing times for different types of regulatory activities. Is this information regularly monitored and reported to the Board?
- What is the Authority doing to increase capacity in their frontline certification functions? What is preventing them from doing more given that these activities are intended to be cost recovered from fees and charges?
- How does the Authority intend to address the growing certification backlog through its funding review? Specifically, which aspects of the proposals would contribute to reducing the backlog? If there are no timeliness targets, how would the Authority measure whether the additional investments have been effective?
- Whether the Authority has considered alternative options to speed up decisions, such as delegating approval of low-risk activities to third party providers?
- Whether the Authority has looked at what has worked in the Australian certification space?

Contacts

| Name | Telephone | First contact |
|--|-----------|---------------|
| Richard Cross, Director, Investment & Monitoring | s 9(2)(a) | ✓ |
| Emma Petrenas, Senior Adviser, Crown Entity Monitoring | | |

RELEASED UNDER THE
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3 April 2024

OC240282

Hon Simeon Brown
Minister of Transport

MEETING WITH CARRIE HURIHANGANUI, CHIEF EXECUTIVE OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

Snapshot

You are meeting with the Chief Executive of the Auckland International Airport Limited, Carrie Hurihanganui. This will be an opportunity to discuss a range of issues important to the airport and aviation.

| | |
|----------------------------|--|
| Time and date | 8.00 – 11.00 am, 5 April 2024 |
| Venue | Auckland Airport |
| Attendees | Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited |
| Officials attending | David Wood, Deputy Chief Executive, Investment and Monitoring |
| Agenda | 8.00 – 9.00 am: Meeting to discuss issues that mainly focus on Auckland Airport's development plans 9.00 – 11.00 am: Tour of airport including government agency operations |
| Talking points | See Annex 1 |

Contacts

| Name | Telephone | First contact |
|--|-----------|---------------|
| Bronwyn Turley, DCE Regulatory Group | s 9(2)(a) | ✓ |
| Tom Forster, Manager Aviation and Maritime | | |

Meeting with Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited

Key points

- In March 2023, Auckland Airport announced a \$3.9 billion development plan, which includes an integrated terminal for domestic jet and international services.
- Air New Zealand has expressed concerns about Auckland Airport's proposed level of investment, and believes this will lead to increased aeronautical charges and potentially unaffordable airfares for some passengers, which will damage demand for air travel.
- Air New Zealand has lodged an official request with the Minister of Commerce seeking an urgent inquiry into the regulation of airports under the Commerce Act.
- As the Commerce Commission is still assessing Auckland Airport's pricing for the 2022 – 2027 price setting event, the Minister of Commerce has indicated he would await the conclusion of this process before deciding on whether to request an inquiry into whether airports should be subjected to further forms of regulation.
- You are scheduled to meet with Greg Foran, Chief Executive of Air New Zealand later in the day following your attendance at the Regional Airport summit. Mr Foran is expected to raise similar topics (see OC24027).

Auckland Airport Development Plan

- 1 In March 2023, Auckland Airport announced a \$3.9 billion development plan, which includes an integrated terminal for domestic jet and international services. The terminal is due to open in 2028/29. This is part of a \$6.7 billion 10-year roadmap of which \$5.7 billion would be recovered through airport charges.
- 2 Air New Zealand has expressed concerns about Auckland Airport's proposed level of investment. The airline believes this will lead to increased aeronautical charges. It estimates charges will increase from \$9 per domestic passenger today to \$46 per domestic passenger in 2032, which will make flying unaffordable for some Kiwis unless there is regulatory change.
- 3 Air New Zealand has put forward a non-integrated terminal development proposal that it believes would reduce costs by \$1 billion.

Auckland Airport believes these claims are inaccurate and misleading

- 4 Auckland Airport disagrees with Air New Zealand's claims. Auckland Airport maintains that its pricing approach would result in prices considerably lower than the price path Air New Zealand claims.
- 5 It projects an average domestic jet charge of \$25 per passenger for the next pricing period (2027 – 2032). This projection takes into account the capital investment plan for the new terminal development. Between now and 2027, it projects that Auckland's domestic landing charges would increase on average by \$1.76 per passenger, bringing them in line with what Wellington and Christchurch charge today.

- 6 Auckland Airport has stated that the cost of its development plans is consistent with similar sized airports overseas, including:
- Brisbane Airport, which is comparable to Auckland in terms of size, has plans to invest over AUD 5 billion in terminal capital expenditure in coming years
 - JFK's new Terminal 6, expected to open between 2026 and 2028, will cost around NZD 6.8 billion, with two fewer gates than planned for Auckland.
- 7 Auckland Airport notes that the alternative proposed by Air New Zealand would provide a materially worse experience for customers, and would not meet basic operational and aviation regulatory requirements. It also says that delaying progress of the new terminal would result in large disruption to operations and would not allow for operation of the contingent runway.
- 8 Lastly, it contends the Air New Zealand proposal would only reduce the capital cost by up to \$100 million, not \$1 billion, and in turn only reduce domestic passenger charges by \$1 per passenger.

Airport competition settings

- 9 Since 2010, Auckland, Wellington and Christchurch airports have been subject to information disclosure regulation under Part 4 of the Commerce Act 1986 (which regulates markets where there is little or no competition).
- 10 The Commerce Commission undertakes reporting and monitoring under the Commerce Act, and the Minister of Commerce is the responsible Minister.
- 11 Information disclosure is the lightest form of regulation under Part 4. Airports must disclose a range of information annually and at each five-yearly price-setting event. The Commission reports on the disclosed information but it does not have the power to compel airports to change their prices.
- 12 Airlines have long argued for a move to negotiate/arbitrate regulation, which is the next step up the regulatory ladder under the Commerce Act. Airports would be required to negotiate with airlines on prices and quality, and, if negotiation was unsuccessful, to enter into binding arbitration.
- 13 Air New Zealand has lodged an official request with the Minister of Commerce seeking an urgent inquiry into the regulation of airports under the Commerce Act, as it believes the current regulation is failing to constrain overspending by Auckland Airport.
- 14 Auckland Airport argues that the current Commerce Commission process should be left to run. It believes Air New Zealand's request to commence an inquiry would undermine the role of the Commission and go around an established regulatory process.
- 15 The Minister of Commerce has indicated he would wait for the conclusion of the Commerce Commission's process before deciding whether to request an inquiry into whether airports should be subject to further forms of regulation.

Lack of domestic competition

- 16 Auckland Airport maintains that Air New Zealand contributes to the increase in domestic airfares due to having 86 percent market share. This position is also held by NZ Airports.
- 17 Auckland Airport sees its investment in airport capacity, which will add 26 percent to domestic and additional aircraft stands, as important for keeping airfares affordable by enabling more airline competition.
- 18 Data released by Stats NZ showed domestic airfares went up 7.4 percent in February 2024 compared to January 2024. Year-on-year domestic fares increased from February 2023 by 7.7 percent.
- 19 Airports are calling for domestic airfares and airline performance to be disclosed to provide greater transparency for consumers, amid record-high domestic fares.
- 20 The Civil Aviation Act 2023 enables regulations to be made requiring information disclosure by aviation sector participants, including passenger rights and performance data. Disclosing data could help increase transparency to aid consumer choice and place downward pressure on airfares. However, given limited competition in the domestic market, many customers will not be able to make alternative choices. Airlines, including Air New Zealand, have previously raised concerns about the disclosure of this type of information, as they view it as commercially sensitive.

Border agencies are working closely with Auckland Airport

- 21 The Border Executive Board (BEB) is an interdepartmental executive board made up of the Chief Executives of the border agencies, including the Ministry of Transport (the Ministry). The BEB was established to deliver an integrated and effective border system.
- 22 The BEB has a specific interest in the operation of Auckland Airport. It is working closely with the airport to gain agreement on the design of the departure area and arrivals hall of the new integrated terminal. Agencies, including CAA and Avsec, are in the process of setting up a governance structure to support this work and reflect border sector interests.
- 23 The BEB has regular engagement with Auckland Airport, and directly with its Chief Executive. As previously advised, the BEB has raised concerns about the increased congestion for international passengers at the arrivals area of the airport. All border agencies worked hard over the summer peak period to successfully address congestions issues within their control. However, this resource-based approach is not sustainable. Agencies are continuing to work with the airport on longer-term solutions.
- 24 Your tour of the airport is likely to focus on the large infrastructure projects within the airport precinct. Given the recent passenger facilitation issues, you may benefit from seeing the international arrivals hall and departure area in action at short notice.

Biography



Carrie Hurihanganui

Carrie Hurihanganui has been Chief Executive of Auckland Airport since February 2022.

She joined the airport from Air New Zealand where she worked for 21 years, most recently in the role of Chief Operating Officer with responsibility for pilots, cabin crew, airports, engineering and maintenance, properties and infrastructure, supply chain, resourcing, and airline operations teams.

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Annex 1: Talking Points

**MEETING WITH CARRIE HURIHANGANUI, CHIEF EXECUTIVE OF
AUCKLAND INTERNATIONAL AIRPORT LIMITED**

- How are your airport development and capital development plans progressing?
- What solutions are being explored to manage passenger congestion until the new integrated terminal opens?
- Can we take the opportunity to see the international arrivals hall and departure area in operation?
- How is the relationship between Auckland Airport and Air New Zealand and other airlines, given recent media coverage about your proposed investments?

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3 April 2024

OC240276

 Hon Simeon Brown
 Minister of Transport
ATTENDANCE AT REGIONAL AIRPORT SUMMIT**Snapshot**

The Regional Airports Summit is a CEO-level roundtable event to facilitate a strategic discussion about the challenges and opportunities for airport infrastructure. You have been invited to make brief introductory remarks.

| | |
|----------------------------|--|
| Time and date | 11.30am – 1pm, Friday, 5 April 2024. |
| Venue | Beca office, 21 Pitt Street, Auckland. |
| Attendees | Billie Moore (Chief Executive), Matt Clarke (Chair) and others. |
| Officials attending | David Wood, Deputy Chief Executive – Investment & Monitoring. |
| Run sheet | <p>10.00 am Introduction and orientation Welcome, overview and discussion of priority issues.</p> <p>11.00 am Break</p> <p>11.30 am Roundtable discussion with Hon Simeon Brown Matt Clarke introduces the Minister Quick introductions around the table Minister to make opening remarks Billie and Matt facilitate roundtable discussion.</p> <p>12.30 pm Lunch and networking Billie to facilitate Minister's departure at 1 pm.</p> <p>1.30 pm – 2.30pm Pathway forward CEs discuss the outcomes of session and next steps.</p> |

Contacts

| Name | Telephone | First contact |
|---|-----------|---------------|
| Bronwyn Turley, Deputy Chief Executive - Regulatory | s 9(2)(a) | ✓ |

ATTENDANCE AT REGIONAL AIRPORT SUMMIT

- 1 The New Zealand Airports Association (NZ Airports) is the peak industry body dedicated to supporting New Zealand's airports and the broader aviation sector.
- 2 NZ Airports represents 46 airport members in policy and regulatory processes to support a safe, sustainable, and efficient aviation system for New Zealanders. NZ Airports also has a strong focus on capability building and creating events and engagements to share capacity and expertise across the airport network.
- 3 NZ Airports' members range from our largest airports through to small aerodromes. Each airport has unique challenges and opportunities based on its role in the air transport network, geographic location, ownership structure and internal capability.
- 4 The Regional Airport Summit aims to respond to the Government's economic objectives, bringing together airport chief executives to discuss the barriers and enablers to lifting airport performance and delivering for our regions.
- 5 The Summit is intended to identify the top actions that will ensure airports can deliver the infrastructure and connectivity necessary to grow the regions over the next five years, as well as "the major plays that could shift the dial in the long term".
- 6 The Summit expects to discuss the following themes:
 - Addressing the infrastructure deficit
 - Streamlining agency support
 - Improving regional links and exports
 - Planning the future decarbonised network.
- 7 We provide some information below on matters that could arise during the roundtable.

Regional airports are important to national connectivity, but face a number of challenges

- 8 Regional airports provide their communities with access to social and economic services and opportunities, e.g., medical services, and freight and tourism connections. Benefits to the country from good regional air connectivity can include:
 - economic network effects, including economies of scale and scope due to more connections between consumers and producers
 - efficiency, as it can be cheaper for people to travel for services (such as specialised or complex medical services) than to replicate the services locally
 - connectivity and opportunities for domestic travel and trade
 - resilience to emergencies and disasters.

- 9 Regional air connectivity is at risk because some smaller airports, mostly owned by councils, cannot cover their operating and maintenance costs from the revenue they receive from aviation operators.
- 10 The airports are part of local economies and in some instances are strategically important from a resilience perspective, providing connectivity for emergency management purposes such as extreme weather events.
- 11 The costs regional airports face includes airport infrastructure, navigational procedures, and regulatory compliance. There is a risk that regional airports will fall below a standard adequate to safely support scheduled services or will have to cease operating.
- 12 Reductions in air services, or airport closures, would reduce the access those communities have to essential services, including medical services, as well as to social and economic opportunities. It would also reduce regional resilience.
- 13 In the case of joint venture airports, the Crown is legally liable to fund 50 percent of the operating losses and capital expenditure. We are continuing to work with the joint venture airports on sustainability of their operations.
- 14 Issues associated with other regional airports vary and need to be considered on a case-by-case basis. We will provide you with advice on any issues that arise for particular regional airports as needed. A potential pathway, if central government funding is sought, is the soon to be established Regional Infrastructure Fund, with a proposed \$1.2 billion in capital funding. While the parameters for the fund have yet to be agreed by Cabinet, the current proposal is for the fund to be used to support 'resilience infrastructure' and 'enabling infrastructure'.

Regional Screening

- 15 In New Zealand, aviation security screening (passenger, cabin and hold-baggage) is only required for international air services and for domestic air services with a seating capacity of more than 90 passenger seats (generally jet aircraft).
- 16 Implementing 'regional screening' would extend aviation security screening to aircraft with 31 to 90 passenger seats (generally propeller aircraft). This would increase the percentage of domestic air passenger movements that are security screened from 55 percent to 97 percent. This would create better alignment with our international partners, who generally screen all domestic flights, and help to reduce vulnerabilities in the system.
- 17 s 9(2)(f)(iv)
- 18 Given the long-term capital planning processes for airport infrastructure, the issue of regional screening is consistently raised by industry with the Ministry. Most of our largest airports are developing their five-year infrastructure and capital plans, and

¹ s 9(2)(f)(iv)

seek clarity on whether to invest in the significant infrastructure changes required to accommodate the permanent screening of flights to regional airports. Unless there is a regulatory requirement to implement regional screening, airports cannot include the work required in their capital plans and pricing (paid for by airlines).

19 Introducing regional screening requires significant Crown investment in screening equipment and resources to enable implementation and management across the network, including more regulatory oversight. This includes personnel recruitment and supply chain issues relating to sourcing of screening equipment. The cost of implementation has been a significant barrier to successive governments making a decision in this area.

20 s 9(2)(f)(iv)

21 NZ Airports and its members may ask you for a clear direction from Government on the implementation of regional screening.

Decarbonisation of Aviation

22 Domestic aviation accounts for approximately six percent of New Zealand's CO₂ emissions. A collaborative effort from government and industry will be necessary to decarbonise this sector.

23 Several different new technologies are being explored by the industry to reduce emissions. It is likely that a combination of technologies will be needed. This includes Sustainable and Synthetic Aviation Fuels (SAF) (most likely targeting long haul flights), liquid hydrogen (most likely targeting main domestic and potential trans-Tasman routes), battery electric (only likely to be appropriate for short haul/regional flights due to power to weight limits of batteries), and hybrid approaches.

24 While a lot of focus has been placed on SAF as it can be utilised by existing fleets blended into existing jet fuel, next generation aircraft such as battery or hydrogen powered aircraft could also have a near-term impact on regional travel. Air New Zealand is heavily committed to its next generation aircraft project which is a key part of the airline's strategy to decarbonise its operations and fly next generation aircraft on the domestic network from 2030.

25 In August 2023, Air New Zealand released an expression of interest to regional airports to be home to its next generation aircraft. The airline is looking for airports that wish to further support the decarbonisation of aviation and are motivated to take on a leadership role in developing the infrastructure required to fly this technology. In 2022, MBIE commissioned research to examine the feasibility of placing a hydrogen hub at an airport in New Zealand for trialling hydrogen and advanced aviation.

26 Airport infrastructure requirements to account for these technologies will be many and varied. They might include onsite charging infrastructure (and associated connections to the electricity system), fuelling and fuel transport infrastructure for new fuels like hydrogen, and potentially onsite energy and fuel generation (for example Christchurch Airport is building 150MW of onsite solar generation with Contact Energy, and will investigate using this for hydrogen production).

- 27 A key consideration for airports will be the timing of these new technologies entering the aviation system, to plan upcoming infrastructure investments. For regional airports, there may be choices about which technologies they wish to accommodate as each technology has different infrastructure requirements.

Sustainable Aviation Aotearoa is examining the potential future infrastructure requirements for zero carbon aviation

- 28 Sustainable Aviation Aotearoa was set up under the last emissions reduction plan as an industry/government collaboration body to investigate what is necessary to decarbonise aviation. The Ministry of Transport leads the government's input into this group, with MBIE supporting from both the energy and tourism portfolios. SAA has three working groups focusing on strategy, SAF, and Zero Emissions Aviation. Both the SAF and Zero Emissions Aviation groups are considering the airport infrastructure challenges from new technologies.

Energy requirements for a decarbonised sector

- 29 Next generation aircraft require large amounts of green energy. For example, electrifying New Zealand's fleet of turbo-props, that fly most regional domestic routes, could add 10 percent to the country's current electricity demand.
- 30 The New Zealand Hydrogen Aviation Consortium estimated that producing liquid hydrogen to decarbonise domestic aviation would require around 380MW of renewable electricity generation capacity in 2035 and 765MW in 2050.² Electricity generation would also be needed for any domestic production of synthetic aviation fuels.

Support from agencies for new or restarting airports

- 31 Most of the regional airports are looking at growth opportunities, some of which include international growth.
- 32 International growth opportunities exist for several airports in the form of:
- Private international flights with high-net-worth individuals wanting to fly directly to locations who spend a significant amount per day, while often also investing in New Zealand businesses.
 - Competing for aircraft maintenance contracts which require direct international arrivals.
 - Interest from operators in new Trans-Tasman links to regional airports.
- 33 NZ Airports and its members consider that some of these opportunities are being held back by requirements of various government border agencies.
- 34 It wants to encourage a more enabling view of route development to support regional airports with their connectivity projects.

² Total installed electricity generation capacity in New Zealand in 2022 was 9,790MW.

35

s 9(2)(b)(ii)

36

Border agencies are working through the Border Executive Board (BEB) to support regional airports that are interested in receiving both non-scheduled international flights and scheduled international flights. The BEB recognises that increasing non-scheduled flights to new and restarting airports has regional economic benefits. The major barrier for agencies is the associated start-up costs and sometimes unrealistic timeframes that airports seek for establishing border services.

37

If a regional airport wishes to establish international services, agencies face financial constraints and lead-in times to recruit staff and procure equipment. The costs of establishing a new presence in a regional airport are high, and new operations are not usually of a scale that would easily support recovery of the marginal cost of that presence from the operator.

38

While each agency has their own legislative and operational requirements, agencies are working together as a Border Sector through an interagency forum (PoFA – Places of First Arrival). BEB has directed the PoFA forum to improve the coordination of regional airports regulatory processes and to get a border system view of the challenges agencies face in assisting regional airports.

39

This work has generated opportunities for agencies to share information and build awareness of their respective regulatory requirements and contexts. This enables a more joined up way of working to support regional airports.

s 9(2)(b)(ii), s 9(2)(f)(iv)

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s 9(2)(b)(ii), s 9(2)(f)(iv)

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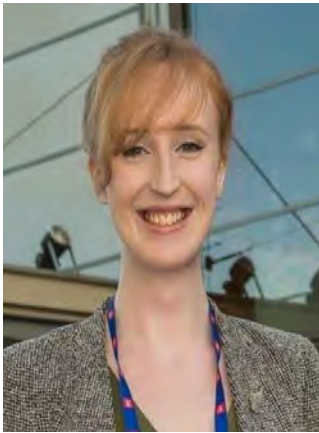
Lack of domestic competition

- 44 NZ Airports notes that the greatest growth constraint on domestic connectivity is the domination of Air New Zealand, with 86 percent of the market. Although smaller airlines operate on niche routes, NZ Airports has commented that the commercial practices and sheer scale of Air New Zealand makes it difficult for them to grow beyond these.
- 45 NZ Airports argues this lack of competition in the domestic market has contributed to increasing airfares (up an average of 34 percent compared to last year)³ which has a dampening effect on demand, particularly in the regions. Cancellations and a deterioration in on-time performance have also contributed to lower confidence from regional travellers.
- 46 Data released by Stats NZ showed domestic airfares went up 7.4 percent in February 2024 compared to January 2024. Year-on-year domestic fares increased from February 2023 by 7.7 percent.
- 47 NZ Airports is calling for domestic airfares and airline performance to be disclosed to provide greater transparency for consumers, amid record-high domestic fares.
- 48 The Civil Aviation Act 2023 enables regulations to be made requiring information disclosure by aviation sector participants, including passenger rights and performance data. Disclosing data could help increase transparency to aid consumer choice and place downward pressure on airfares. However, given limited competition in the domestic market, many customers will not be able to make alternative choices. Airlines, including Air New Zealand, have previously raised concerns about disclosure of this type of information as they view it as commercially sensitive.

³ Air New Zealand dispute this figure as not including online and Grabaseat airfares.

Biographies

Billie Moore (Chief Executive)



Billie has been Chief Executive since December 2022. She has extensive government and stakeholder management experience. Billie is a former diplomat and served as New Zealand's Consul-General to New South Wales and Queensland for four years. She returned to Wellington in 2019 to lead government relations for Tourism New Zealand, including joining its executive team during the response to Covid-19.

Prior to her current role, Billie was chief adviser at the Ministry for the Environment, working with the chief executive and executive team across the Ministry's engagement and key relationships.

Matt Clark (Chair)



Matt has over 20 years' experience in the airport industry, during which time he served as the Chief Executive of Rotorua Airport, before joining Infratil's airport team in Europe. He has been at Wellington Airport since 2010 as Chief Commercial Officer, before taking over as Chief Executive in 2022. Matt holds a Bachelor of Commerce degree from the University of Canterbury, and has completed post-graduate studies at Melbourne Business School and the New Zealand Institute of Directors.

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OFFICIAL INFORMATION ACT

18 April 2024

OC240362

Hon Simeon Brown
 Minister of Transport

MEETING WITH WELLINGTON INTERNATIONAL AIRPORT

Snapshot

You are meeting with Wellington International Airport's Chief Executive, Matt Clarke. This briefing covers issues Wellington International Airport has put on the agenda for the meeting.

| | |
|----------------------------|---|
| Time and date | 11-11.30am, 23 April 2024. |
| Venue | Wellington International Airport. |
| Attendees | Matt Clarke, Chief Executive. |
| Officials attending | Tom Forster, Manager, Aviation and Maritime. |
| Agenda | Mount Victoria/Basin Reserve roading improvements, airfares and decarbonising aviation. |
| Talking points | Talking points are attached. |

Contacts

| Name | Telephone | First contact |
|--|-----------|---------------|
| Bronwyn Turley, Deputy Chief Executive, Regulatory | s 9(2)(a) | ✓ |
| Ken Hopper, Senior Licensing Adviser | | |

Meeting with Wellington International Airport

Key background

- Wellington International Airport Limited (the Airport) is jointly owned by Infratil (66 per cent) and Wellington City Council (34 per cent).
- In the 2023 financial year, the Airport handled close to 4.7 million domestic passengers and 563,500 international passengers.
- In the same period, the Airport made a net profit after tax of \$25.2 million.
- The Airport reports that it generates economic output of around \$2 billion, supporting 11,000 jobs.

The Airport supports an additional Mount Victoria tunnel and improvements to the Basin Reserve

- 1 The Airport has continually expressed support for an additional Mt Victoria tunnel and improvements at the Basin Reserve, as supported by its polling which showed strong local support for these at 76 per cent and 81 per cent in favour respectively.

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s 9(2)(ba)(i)

3

4

s 9(2)(g)(i)

The Airport supports more transparency and monitoring of airfares

- 5 In his post-election letter to you, Mr Clarke noted the need for more transparency and monitoring of airfares for consumers, given airfares have increased notably in recent years. Mr Clarke further noted that unlike other countries, there is very little data available to the public on this in New Zealand.

- 6 The New Zealand Airports Association (NZ Airports), the representative body for New Zealand's airports, has noted that the greatest growth constraint on domestic connectivity is the domination of Air New Zealand, with 86 per cent of the market. Although smaller airlines operate on niche routes, NZ Airports has commented that the commercial practices and sheer scale of Air New Zealand makes it difficult for them to grow beyond these.

- 7 NZ Airports argues this lack of competition in the domestic market has contributed to increasing airfares (up an average of 34 per cent compared to last year)¹ which has a dampening effect on demand, particularly in the regions. Cancellations and a deterioration in on-time performance have also contributed to lower confidence from regional travellers.
- 8 NZ Airports is calling for domestic airfares and airline performance to be disclosed to provide greater transparency for consumers, amid record-high domestic fares.
- 9 The Civil Aviation Act 2023 enables regulations to be made requiring information disclosure by aviation sector participants, including passenger rights and performance data. Disclosing data could help increase transparency to aid consumer choice and place downward pressure on airfares. However, given limited competition in the domestic market, many customers will not be able to make alternative choices. Airlines, including Air New Zealand, have previously raised concerns about disclosure of this type of information as they view it as commercially sensitive.
- 10 The Ministry will report to you on options for aviation sector performance data, and the potential for airfare disclosure, as part of your aviation priority programme.

Aviation decarbonisation

- 11 Domestic aviation accounts for approximately six per cent of New Zealand's CO₂ emissions. A collaborative effort from government and industry will be necessary to decarbonise this sector.
- 12 Several different new technologies are being explored by the industry to reduce emissions. It is likely that a combination of technologies will be needed. This includes Sustainable and Synthetic Aviation Fuels (most likely targeting long-haul flights), liquid hydrogen (most likely targeting main domestic and potential trans-Tasman routes), battery-electric (only likely to be appropriate for short haul/regional flights due to power to weight limits of batteries), and hybrid approaches.
- 13 Airport infrastructure requirements to account for these technologies will be many and varied. They might include onsite charging infrastructure (and associated connections to the electricity system), fuelling and fuel transport infrastructure for new fuels like hydrogen, and potentially onsite energy and fuel generation.
- 14 The Airport is working closely with airlines on plans for electric aircraft and alternative fuels. The Airport recently partnered with three businesses to trial using hydrogen in an aviation setting for the first time in New Zealand.
- 15 The trial saw the three businesses² join forces with the Airport to trial using hydrogen to charge Air New Zealand's electric tugs and service vehicles at the Airport.
- 16 The trial will help assess the viability of hydrogen for charging and give a good insight into the operational challenges and opportunities for all involved.
- 17 The Airport participates in Sustainable Aviation Aotearoa which is examining the potential future infrastructure requirements for zero carbon aviation.

¹ Air New Zealand dispute this figure as not including online and Grabaseat airfares.

² Air New Zealand, Toyota New Zealand and Hiringa Energy.

- 18 On 17 April 2024, Air New Zealand, the Airport and Marlborough Airport jointly announced that the airline will commence, in 2026, cargo-only flights for NZ Post between Wellington and Blenheim using an all-electric ALIA CTOL aircraft. Mr Clarke is quoted:

Partnering with Air New Zealand to host the commercial demonstrator is a giant leap for sustainable aviation, providing the basis for all airports to prepare for the next generation of aircraft technology. Our team put their heart and soul into the hosting bid and that same energy will now be focussed on getting this service off the ground.

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Biography



Matt Clarke, Chief Executive

Matt has over 20 years' experience in the airport industry, during which time he served as the Chief Executive of Rotorua Airport, before joining Infratil's airport team in Europe. He has been at Wellington Airport since 2010 as Chief Commercial Officer, before taking over as Chief Executive in 2022. Matt holds a Bachelor of Commerce degree from the University of Canterbury, and has completed post-graduate studies at Melbourne Business School and the New Zealand Institute of Directors. Matt is also Chair of the New Zealand Airports Association.

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Annex 1: Talking Points

MEETING WITH WELLINGTON INTERNATIONAL AIRPORT

Mount Victoria / Basin Reserve roading improvements

- I appreciate your support for the additional Mt Victoria tunnel and Basin Reserve improvements. It is also good to see the level of local support your polling has demonstrated for these projects.
- You will have seen my recent announcement that, while planning continues on the duplicate Mt Victoria tunnel and Basin Reserve project, the Government has also asked NZTA to consider and provide advice on a Long Tunnel option.
- The Long Tunnel option has the potential to deliver up to 15-minute travel time savings between the region and Wellington airport, compared to around 2-3 minutes for the current parallel or diagonal tunnel proposals at Mt Victoria and the Basin.
- I'm looking forward to receiving advice from NZTA on the technical feasibility, cost, and funding and financing options for all tunnel options.
- NZTA will seek Wellington Airport's input once further work on the project begins in the second half of 2024.
- I welcome your thoughts on these projects, and on how we could improve public transport to the airport.

Airfares

- When the Civil Aviation Act 2023 comes into force next April it will enable regulations to be made requiring information disclosure by aviation sector participants, including airfares, passenger rights and performance data.
- I am interested in your views about the priority and likely impact of disclosure of airfares, given the limited competition in the domestic market.

Decarbonising aviation

- I am particularly interested in the hydrogen trial that was undertaken at Wellington Airport
- What are the key findings of the trial?
- What are the challenges and opportunities that were identified?

23 April 2024

OC240419

Hon Simeon Brown
Minister of Transport

MEETING WITH JON DUFFY, CHIEF EXECUTIVE OF CONSUMER NEW ZEALAND

Snapshot

You are meeting with the Chief Executive of Consumer New Zealand (Consumer NZ), Jon Duffy. This will be an opportunity to discuss a range of issues of interest to the government and Consumer NZ. This briefing covers issues Consumer NZ has put on the agenda for the meeting.

| | |
|----------------------------|--|
| Time and date | 11:00 – 11:30am, 2 May 2024 |
| Venue | Minister's office, EW5.1 |
| Attendees | Jon Duffy, Consumer NZ Gemma Rasmussen, Head of research and advocacy Aneleise Gawn, Consumer advocate Jessica Walker, Communications and campaigns manager |
| Officials attending | Bronwyn Turley, Deputy Chief Executive, Regulatory Group |
| Agenda | Consumer NZ's advocacy on behalf of airline passengers |
| Talking points | See Annex 1 |

Contacts

| Name | Telephone | First contact |
|--|-----------|---------------|
| Bronwyn Turley, DCE Regulatory Group | s 9(2)(a) | ✓ |
| Tom Forster, Manager Aviation and Maritime | | |

Meeting with Jon Duffy, Chief Executive of Consumer New Zealand

Key points

- Consumer NZ is an independent, not-for-profit organisation, representing consumer interests and rights.
- Flight rights, a Consumer NZ campaign, is asking airlines to provide better information on rights of disrupted passengers when a flight is delayed or cancelled.
- Specifically, Consumer NZ has called for developing regulations under Civil Aviation Act 2023¹ (2023 Act), requiring information disclosure by airlines on passenger rights.

Consumer rights are addressed under existing legislation and terms of carriage

- 1 When a flight is cancelled or delayed in New Zealand, the remedy available to the disrupted passenger is largely determined by the terms of their contract with the airline. The right to refund also depends on whether it was the airline's fault or not and whether the passenger is flying domestically or internationally.
- 2 The Civil Aviation Act 1990, Consumer Guarantees Act, Contract and Commercial Law Act and Fair Trading Act can come into play.
- 3 Passengers are entitled to a refund if a domestic flight is cancelled or delayed for reasons within an airline's control such as staffing, operational or mechanical issues. Under the Civil Aviation Act 1990, passengers are entitled to reimbursement of up to 10 times the cost of the air ticket, or the actual cost of delay, whichever is lower.
- 4 Airlines are not required to refund or reimburse costs if a domestic flight is cancelled or delayed due to a reason outside of their control such as a weather event or a mandatory government shutdown. In this case, a passenger's right to refund or compensation will depend on the type of airfare that they bought and the airline's terms and conditions.
- 5 Airlines offer a range of fare types, the more expensive of which allow the consumer to obtain a refund regardless of the reason for cancellation or delay. If a consumer chooses a cheaper fare, and the flight is cancelled due to circumstances beyond the airline's control, the airline may offer a credit instead of a refund.
- 6 The COVID-19 global pandemic and subsequent travel restrictions resulted in unprecedented numbers of flights being cancelled. Many passengers found themselves unable to access cash refunds for their cancelled flights, receiving flight credits instead. Airlines were subject to criticism from the public, media and consumer advocacy groups regarding their cancellation and delay policies.

¹ The Civil Aviation Act 2023 will come into force on 5 April 2025. It replaces the Civil Aviation Act 1990 and the Airport Authorities Act 1966.

Consumer NZ has been advocating for better consumer protection for airline passengers

Consumer NZ's flight rights campaign

- 7 Consumer NZ's Flight Rights campaign is asking airlines to be transparent about passenger rights when a flight is delayed or cancelled. Through the campaign, Consumer NZ is advising passengers on their rights when travelling and their entitlement when flights are delayed or cancelled, including the right to reimbursement.
- 8 Consumer NZ has called for airlines to provide accurate and consistent information to passengers when their flights are disrupted. Air New Zealand and Jetstar have since updated their websites to provide better information for disrupted passengers.
- 9 Consumer NZ has been critical of expiration of unspent Covid credits. Covid credits were issued to consumers who purchased non-refundable airfares for flights that could not be flown due to travel restrictions during the COVID-19 pandemic.
- 10 In 2023, Consumer NZ lobbied Air New Zealand to drop the expiry dates on outstanding Covid credits worth more than \$200 million and refund passengers who applied for reimbursement. Air New Zealand has now extended the expiry date on Covid credits by two years, until 31 January 2026.
- 11 Consumer NZ also campaigned for Air New Zealand to remove the 14-day timeframe from its reimbursement policies. This 14-day rule claimed that the airline is not liable for any costs passengers incurred because of flight changes within their control if they provided at least 14 days' notice of the changes. Air New Zealand subsequently removed the 14-day rule from their reimbursement policies.

Consumer NZ is calling for development of regulations under Civil Aviation Act 2023 to promote passenger rights

- 12 The Civil Aviation Act 2023 (section 410) enables regulations to be made requiring information disclosure by aviation sector participants. These can be made once the Act comes into force in April 2025. Disclosing information on passenger rights could help increase transparency to aid consumer choice and assist passengers in seeking recourse in the event of delay or cancellation.
- 13 The Airports Association has also called for regulations to be used to increase transparency of airfares, to provide visibility on cost drivers and assist consumer decision-making.

- 14 s 9(2)(f)(iv)

Consumer NZ is now also calling for a market study into aviation

- 15 Following Air New Zealand's recent increase in airline prices for domestic travel, Mr Duffy made calls for a Commerce Commission market study to look at how airline prices are set.
- 16 Mr Duffy noted that whilst some price increase is justified, at least in part, due to higher fuel prices and wages, more transparency is needed in how airline travel prices are set in New Zealand.
- 17 Mr Duffy noted that whilst a market study will take some time, it is the best way to establish all the factors affecting pricing and the level of competition. This will establish whether travellers are getting a fair deal from airlines.
- 18 The Minister of Commerce can require the Commission to carry a market study (called a competition study in the Commerce Act) if the Minister considers it to be in the public interest to do so.

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Biographies



Jon Duffy, Chief Executive Officer

Jon Duffy has been Chief Executive of Consumer NZ since April 2020.

He has worked in the consumer protection field for more than 20 years. This includes his role at the Commerce Commission as Senior Investigator, heading the Trust and Safety Team at Trade Me, and his role as Assistant Privacy Commissioner (Policy and Operations) at the Office of the Privacy Commissioner.



Gemma Rasmussen, Head of Research and Advocacy

Gemma Rasmussen joined Consumer NZ in January 2021.

As Head of Research and Advocacy, Gemma is leading the investigative, advocacy, communications, and grants teams. With a background in journalism, data, and communications, she started her advocacy career at CHOICE, Australia's consumer organisation.



Aneleise Gawn, Consumer Advocate

Aneleise Gawn joined Consumer NZ in 2014.

As a Consumer Advocate, she is co-ordinating campaigns and writing submissions on behalf of Consumer NZ. Her previous roles include Legal and Policy Advisor at New Zealand Ministry of Justice, Solicitor at Buddle Findlay, and Legal Counsel at Air New Zealand.



Jessica Walker, Communications and Campaigns Manager

Jessica Walker joined Consumer NZ in 2022.

Jessica's previous roles include Senior Communications and Campaigns Advisor at Consumer NZ, Communications Advisor at Electricity Authority and Communications Advisor and Senior Business Advisor at the Ministry of Business, Innovation and Employment.

Annex 1: Talking Points

MEETING WITH JON DUFFY, CHIEF EXECUTIVE OF CONSUMER NEW ZEALAND

Flight rights campaign

- How is your Flight Rights campaign progressing?
- Have you had any discussions with the Minister of Commerce on your proposal for a market study into aviation?

Regulations on airline information disclosure under Civil Aviation Act 2023

- I have been briefed by officials on the work currently underway to implement the Civil Aviation Act 2023. The 2023 Act is a large piece of legislation and implementing key provisions in two years requires a massive effort.
- I note that the Ministry is currently prioritising system-critical provisions in implementing the new Act. This is to ensure safety and business continuity of the aviation sector, with the intent to implement additional system-enhancing provisions overtime.
- Developing regulations under the 2023 Act requiring airlines to disclose information including passenger rights requires substantive cross government policy work. At this stage, this remains a medium-term priority to be implemented after the 2023 Act comes into force on 5 April 2025.

Non-regulatory approaches to promote airline passenger rights

- Do you think there is any scope for encouraging airlines to compete on service to provide better consumer protection in the face of flight delays and cancellations?

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