

OC230502

3 July 2023

Tēnā koe [REDACTED]

I refer to your email dated 4 June 2023, requesting the following under the Official Information Act 1982 (the Act):

1. *“copy of all advice produced by the Ministry of Transport to support the meetings listed below between the Minister of Transport and representatives from Auckland International Airport Limited.*
2. *A note of whether any officials from the Ministry of Transport were present at any of the following meetings, and if not, an explanation as to why not.*
3. *Please also provide the date in which the Minister or any individual within his office is informed of this request.*

Meetings between the Minister of Transport and representatives from Auckland International Airport Limited:

- *Meeting with representatives from Auckland International Airport Ltd – 30 January 2023*
- *Meeting with Carrie Hurihanganui CEO, Andre Lovett GM Infrastructure and Clodagh O'Connor-McKenna, Auckland Airport – 14 October 2022*
- *Meeting with Carrie Hurihanganui, CEO Auckland Airport and Malcolm Johns, CEO Christchurch Airport – 12 May 2022*
- *Meeting with Carrie Hurihanganui, CEO and Patrick Strange, Chair Auckland Airport and Hon Grant Robertson – 07 March 2022*
- *Meeting with Airports via Zoom – 03 February 2022*
- *Meeting with Adrian Littlewood, CE and Mary -Liz Tuck, Acting CE – 5 November 2021*
- *Meeting with Auckland Airport CEO, Mary Liz Tuck – 18 November 2021*
- *Meeting with Adrian Littlewood, CEO Auckland Airport – 6 September 2021*
- *Meeting with Adrian Littlewood, CEO Auckland Airport and Sifa Taumoepeau, Thompson Lewis – 5 February 2021 “*

On 29 June 2023, we advised you of an extension to the time period for responding to your request. The extension was due to consultations necessary to make a decision on your request being such that a proper response could not reasonably be made within the original time limit. We have now completed the necessary consultations.

Answer to question 1

Out of the nine meetings listed above, Te Manatū Waka Ministry of Transport (the Ministry) provided advice and were in attendance for one meeting, dated 12 May 2022.

The advice was contained in this briefing:

Briefing title	Reference	Date
Meeting with Auckland and Christchurch Airports, 12 May 2022	OC220349 MBIE2122-4250	4/05/2022

Answer to question 2

Ministry Officials were not present at any other meetings. The reason for this is because the Minister of Transport did not request it.

Answer to question 3

Each week, the Ministry advises the Minister of Transport of any new Official Information Act requests we have received in the previous week. The Minister and his office therefore became aware of this request on 12 June 2023.

I am releasing the briefing to you that is detailed above with some information withheld under the following sections of the Act:

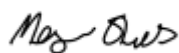
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|-------------|--|
| 6(a) | as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government |
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect 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 otherwise to damage the public interest |
| 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. |

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



pp Hilary Penman
Manager, Ministerial Services



EVENT BRIEFING

Meeting with Auckland and Christchurch Airports, 12 May 2022

Date:	4 May 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MBIE 2122-4250 MOT OC220349

Action sought		
	Action sought	Deadline
Hon Stuart Nash Minister of Tourism	Note the contents of this briefing to support your meeting with Auckland and Christchurch Airports.	12 May 2022
Hon Michael Wood Minister of Transport		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Richard Davies	Policy Director, Tourism, MBIE	s9(2)(a)	✓
Jessica Ranger	Manager COVID-19 Policy and Delivery, Ministry of Transport		
Jennie Kennerley	Principal Policy Advisor, Tourism Policy, MBIE		
Hayden Berkers	Senior Advisor, COVID-19 Policy and Delivery, Ministry of Transport		

The following departments/agencies have been consulted
N/A. Note Treasury was consulted for the related briefing of 22 April 2022 [MBIE 2122-4102/MOT OC220301 refers].

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



EVENT BRIEFING

Meeting with Auckland and Christchurch Airports, 12 May 2022

Date:	4 May 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MBIE 2122-4250 MOT OC220349

Purpose

You have agreed to meet with representatives of Auckland and Christchurch Airports on 12 May 2022 to discuss a request for funding for a long-haul incentive scheme proposal.

This briefing provides background and talking points to support your discussion. The talking points are provided in **Annex One** and attendee profiles are in **Annex Two**. The letter from the airports in which they requested funding is provided in **Annex Three**. The joint advice that MBIE Tourism and the Ministry of Transport provided to you on 22 April 2022 about the funding request is provided in **Annex Four**.

Recommendations

The Ministry of Business, Innovation & Employment and the Ministry of Transport recommend that you:

- a **Note** the contents of this briefing to support your discussion with representatives of Auckland and Christchurch Airports on 12 May 2022.

Noted

Richard Davies
Policy Director, Tourism
Labour, Science & Enterprise, MBIE

4 / 5 / 2022

Jessica Ranger
Manager, COVID-19 Policy and Delivery
Ministry of Transport

4 / 5 / 22

Hon Stuart Nash
Minister of Tourism

.... / /

Hon Michael Wood
Minister of Transport

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Background

1. You have agreed to meet with representatives from Auckland and Christchurch Airports [the airports] on 12 May 2022 at 10.00am.
2. The airports have requested the meeting to discuss a letter they wrote to you on 13 April 2022. The letter asked for government funding to be provided to the airports for their use in s 9(2)(b)(ii)
3. We understand the airports will be represented at the meeting by:
 - Carrie Hurihanganui, Chief Executive of Auckland Airport and
 - Malcolm Johns, Chief Executive of Christchurch Airport.

The airports' request for funding

4. On 22 April 2022, MBIE Tourism and Transport officials jointly provided advice to you on the airports' funding request [MBIE Briefing 2122-4102 / MOT Briefing OC220301 refers].
5. To recap, the key parameters of the airports' funding request are as follows:

s 9(2)(b)(ii), s 9(2)(ba)(i)

- e. the support would be offered until 31 March 2023, i.e., it would end on the same date as the MIAC scheme.

6. s 9(2)(b)(ii)
These include Sydney and Queensland Airports, which are receiving financial support from their state governments¹. The airports report that, in the current post-COVID-19 environment, airlines can view financial support from governments – even at relatively low levels – as 'a prerequisite to consideration' of providing new or expanded services to long-haul destinations.

¹ The New South Wales Government has committed A\$120 million to an Aviation Attraction Fund which is dollar-matched by Sydney Airport, and the Queensland Government is investing A\$100 million in a similar scheme which is being dollar-matched by Queensland airports.

MBIE and Ministry of Transport advice on the airports' request

7. s 9(2)(g)(i)
8. Key factors we considered when assessing the airports' proposal include:
- a number of *international airlines have already announced their return* to New Zealand, or an increase in their services to New Zealand, for the coming summer season. These include airlines with customer bases that align with New Zealand's interest in attracting high-value visitors, such as Air Canada and Emirates. The Board of Airline Representatives New Zealand (BARNZ) has also estimated that by October 2022, international passenger capacity will have returned to around 55 per cent of pre-COVID-19 levels, without any incentives beyond MIAC being offered.
 - s 9(2)(g)(i)
 - where airlines have not yet announced a return to New Zealand, their *decisions will often reflect factors that are outside of New Zealand's influence.* s 6(a)
 - s 9(2)(b)(ii)
 - the *airports' business model benefits from the recovery of passenger volume while the tourism portfolio priorities are focussed on the recovery of value.* s 9(2)(b)(ii), s 9(2)(ba)(i)
 - s 9(2)(b)(ii)
 - By comparison, our MIAC experience has shown the cost of operating long-haul services to New Zealand can be up to s 9(2)(b)(ii) per flight.
 - s 9(2)(g)(i)
 - s 9(2)(g)(i)

Reallocating a portion of the MIAC appropriation

9. The airports proposed that the requested funding should be sourced from a reprioritisation of a portion of the \$250 million MIAC appropriation. The Ministry of Transport considers this is not appropriate, due to the funding pressures within MIAC due to the impact of fuel prices

and the specific nature of the appropriation as directed by Cabinet. At this stage, there is not expected to be a surplus of MIAC funding available without compromising the delivery of the scheme's objectives.

Ministerial feedback on the airports' funding request

10. You have separately provided feedback to MBIE and Transport officials on the 22 April 2022 briefing.
11. To recap, the Minister of Transport has:
 - confirmed that it will not be possible to reallocate funding from the MIAC appropriation, owing to the impact of fuel cost pressures and the specific authorisations for the MIAC funding.
 - s 9(2)(b)(ii), s 9(2)(ba)(i)
12. The Minister of Tourism has indicated no further analysis is required at this time on the airports' funding request.
13. We anticipate that you will provide this feedback to the airports' representatives during your meeting. We have also attached further suggested talking points at **Annex One**, on which you may wish to draw to support your discussion. These talking points include questions that explore some of the issues with the airports' proposal, as described in paragraph 8 above. s 9(2)(b)(ii)

Other matters you may want to discuss at your meeting

14. The airports' representatives accompanied the Prime Minister on her recent trip to Singapore and Japan and were present at the signing of the Memorandum of Arrangement on Sustainable Aviation between New Zealand and Singapore. The Arrangement provides for joint work to be undertaken on a range of initiatives including information exchanges and research, that will support both countries to transition to the use of sustainable aviation fuels and next-generation aircraft. The airport representatives may seek to share with you their experiences on the delegation.
15. Auckland Airport has a target of reducing direct emissions to net zero by 2030, while Christchurch Airport was the first global airport to be awarded the highest standard of Airport Carbon Accreditation in 2020. Christchurch Airport is now aiming to go beyond net zero by becoming climate positive, for example by supporting reforestation.
16. Both airports have been significantly impacted by border closures. Christchurch Airport lost all its international travellers and much of its freight. Auckland Airport has played a key role in keeping New Zealanders safe from COVID-19 and in the various stages of reopening the air border. It needed to constantly adapt and modify its operational practices to meet the specific requirements of each different stage of reopening, often at quite short notice. It did this in a highly constructive and collaborative manner.

Annexes

Annex One: Talking points

Annex Two: Attendee Profiles

Annex Three: Letter of 13 April 2022 from Auckland and Christchurch Airports

Annex Four: Joint MBIE/Transport briefing of 22 April 2022 on the airports' funding request

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Annex One: Talking points and questions for your meeting with the airports

Acknowledgement of the airports' position

- Thank you for writing to us on 13 April with your request for funding.
- We appreciate, during this critical reconnecting period, you are facing significant competition from other destinations to attract back long-haul airlines.
- We also acknowledge that airlines can view routes to a long-haul destination such as New Zealand as risky, especially now they are contending with the impact of COVID-19 on their balance sheets.
- We congratulate you on the success you've already had in attracting back key airlines like Air Canada, and in encouraging others such as Emirates to add new services. We know that there is a huge amount of work going on behind the scenes at your organisations to achieve these results.

MIAC appropriation cannot be used to fund the airports' request

- You've suggested the funding you're seeking could come from a reappropriation of some of the MIAC budget.
- We are not able to fund this proposal through the MIAC budget. The MIAC budget already accounts for significant passenger growth, and rising fuel costs have meant the MIAC budget is under significant pressure and unlikely to have any surplus funding.
- There are also specific authorisations for how the MIAC funding can be used.
- This means that, if your proposed scheme was to be implemented, it would need new funding.

The rationale for the airports' request

- We're interested to hear more about your funding request, and why you think it will deliver value over and above the support currently provided by MIAC.

Airlines are already returning

- We're pleased that, now the border is re-opening and isolation requirements have been removed, we've seen a number of airlines announce their return or that they're expanding their services to New Zealand.
- We've also been encouraged by BARNZ's estimate that, by October, international air connectivity will be back to 55% of pre-COVID-19 levels.

s 9(2)(b)(ii), s 9(2)(ba)(i)

s 6(a)

Is there a risk that your proposed scheme would come too late to s 9(2)(b)(ii) ? In asking this, we are taking into account the long lead-times for airlines' scheduling decisions, and that the window for long-haul passenger bookings often stretch for 3 to 9 months ahead of travel.

Scale of proposed funding

s 9(2)(b)(ii), s 9(2)(ba)(i)

Would this level of support be sufficient to deliver the benefits you're seeking?

Volume versus value

- We understand that your business models rely on the recovery of passenger volumes. As you know, the Government is also focussed on the recovery of tourism value and, as the Prime Minister said last week, on ensuring that tourism operators can deliver quality experiences with low environmental impact.

s 9(2)(b)(ii), s 9(2)(ba)(i)

What are you hearing about the readiness of other parts of the tourism industry to welcome back international visitors this summer? Will we be able to provide the same quality of experience as before COVID-19?

Response to comments on MIAC

- s 9(2)(b)(ii)
-
- MIAC has been deliberately structured in a way that support is provided based on the best option to achieve MIAC objectives, s 9(2)(b)(ii). Both MIAC and the predecessor scheme ran well-publicised open market exercises that were open to all airlines to apply.
- MIAC currently supports seven other carriers in addition to Air New Zealand, including multiple carriers on some routes.
- We're aware that Transport officials discussed the MIAC exit strategy with Auckland Airport, as well as BARNZ and Qantas, following the Cabinet decision to extend the scheme. It was emphasised in these discussions that it is unlikely MIAC support would remain in place when a competitor is operating on the route.
- We have also seen the scheduled return of Qantas and Air Canada on routes that the MIAC supports Air New Zealand.

General

- Thank you for taking the time to accompany the Prime Minister on her recent visits to Singapore and Japan.
- We were particularly encouraged by the signing of the Sustainable Aviation Arrangement with Singapore and the role this could play in driving the development of a sustainable aviation sector in both countries.

What are your main take-outs from your experience on the Prime Minister's delegation with regard to the aviation and tourism sectors?

- We also thank you for your engagement and support as we have implemented the Reconnecting New Zealander strategy. We are pleased to see the return of travellers to New Zealand and would like to acknowledge your efforts to ensure this smooth return.

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Annex Two: Attendee profiles

Carrie Hurihanganui, Chief Executive, Auckland Airport



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

Carrie has operational and strategic experience in the aviation industry, having held senior roles at Air New Zealand. Prior to her appointment, Carrie was Chief Operating Officer at Air New Zealand, overseeing a workforce of 6,000.

Carrie left the airline in 2017 to join National Australia Bank in Melbourne as Executive General Manager, Customer Experience before returning to the airline in 2018 to the Chief Ground Operations Officer role, transitioning into the Chief Operating Officer role in 2020.

Carrie has a Bachelor of Business Studies from Massey University.

Malcolm Johns, Chief Executive, Christchurch Airport



Malcolm has been the Chief Executive of Christchurch Airport since January 2014. Prior to this, he was the Chief Executive of the InterCity Group from 2004 to 2013.

Malcolm has held a number of senior governance roles within New Zealand's transport and tourism sectors, including as a past deputy chair of Tourism New Zealand and the (then) Tourism Industry Association. His current governance roles include New Zealand Delegate on the APEC Business Council, Director of the Lyttleton Port Company Ltd, Advisory Board member of the Climate Leaders Coalition, and a member of the Board of the Sustainable Business Council NZ.

Malcolm has a Bachelor of Management, Marketing and Accounting from the University of Waikato.

Annex Three: Letter from airports requesting funding

Hon Stuart Nash
Minister of Tourism
Via email at stuart.nash@parliament.govt.nz

Hon Michael Wood
Minister of Transport
Via email at Michael.wood@parliament.govt.nz

April 13, 2022

Dear Ministers

Subject: Government and Airport partnership to support long-haul air connectivity recovery

Recent announcements about opening the border and the removal of self-isolation have injected real optimism into the aviation and tourism sectors. We are very much looking forward to welcoming back Australian visitors from today.

Trans-Tasman operations appear to be responding positively. However, rebuilding New Zealand's international aviation network beyond the Tasman remains a challenge and Auckland and Christchurch Airports have been considering on how we can work with Government to support the recovery of our long-haul connections.

Our teams have recently run through our proposal with officials from the Ministry of Business, Innovation and Employment and the Ministry of Transport, and we would very keen to discuss it with Ministers as soon as possible.

s 9(2)(b)(ii)

In a post-covid travel environment, airlines are uncertain which markets will be sustainable or viable. Rebuilding routes to a long-haul destination like New Zealand is financially challenging for airlines and therefore has considerable risk attached. Under these exceptional operating conditions airlines are requesting levels of support almost as a prerequisite for consideration. The race to attract airlines back has incentivised states and countries to respond financially.

For example, in Australia, both the New South Wales and Queensland governments are working in partnership with airports and have set up funds to provide incentives for airlines to return. In NSW they have set up a \$120m fund and in Queensland a \$200m fund. The key is the funding is 50/50 between the governments and airports so it represents a true partnership.

s 9(2)(b)(ii)

s 9(2)(b)(ii)

The MIAC freight support scheme has been a lifeline for aviation and exporters, and we have been very supportive of it. We can appreciate why it has been extended to March 2023 because the recovery will be bumpy.

s 9(2)(b)(ii)

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Carrie Hurihanganui
Chief Executive
Auckland International Airport

Malcolm Johns
Chief Executive
Christchurch International Airport

Cc
Carolyn Tremain, Chief Executive, MBIE
Bryn Gandy, Acting Chief Executive, Ministry of Transport
Heather Kirkham, Head of Tourism Policy, MBIE
Brent Lewers, Ministry of Transport

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Annex Four: Joint MBIE/Transport briefing of 22 April 2022 on the airports' funding request

This annex is attached as a separate document.

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BRIEFING

Request from Auckland and Christchurch Airports for funding to support long-haul air connectivity

Date:	22 April 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MBIE 2122-4102 MOT OC220301

Action sought		
	Action sought	Deadline
Hon Stuart Nash Minister of Tourism	Indicate if you would like officials to undertake any further analysis at this time of the funding request from Auckland and Christchurch Airports.	2 May 2022
Hon Michael Wood Minister of Transport	Note you have accepted an invitation to meet with Auckland and Christchurch Airport representatives to discuss the funding request on 12 May 2022.	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Richard Davies	Policy Director, Tourism, MBIE	s 9(2)(a)	✓
Carmen Mak	Director, COVID-19, Ministry of Transport		
Jennie Kennerley	Principal Policy Advisor, Tourism Policy, MBIE		
Hayden Berkers	Senior Advisor, Transport Connectivity, Ministry of Transport		

The following departments/agencies have been consulted
Treasury and Tourism New Zealand.

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments

BRIEFING

Request from Auckland and Christchurch Airports for funding to support long-haul air connectivity

Date:	22 April 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MBIE 2122-4102 MOT OC220301

Purpose

To provide you with advice on a request for government funding from Auckland International Airport Limited (AIAL) and Christchurch International Airport Limited (CIAL). The funding would be used to support long-haul air connectivity to New Zealand.

Executive summary

s 9(2)(b)(ii), s 9(2)(g)(i)

[REDACTED]

s 9(2)(g)(i)

We note that the industry already expects that international air connectivity will recover to 55 per cent of pre-COVID levels by October 2022 – and

s 9(2)(g)(i)

Officials also consider there is likely to be a significant lag between establishing an incentive scheme and any marginal passenger increases (due to the time it would take to establish the initiative and then for passengers to book), which may further erode the value proposition.

A number of long-haul airlines have already announced their return to New Zealand, or an expansion of their New Zealand services during the coming summer 2022/23 season. Where long-haul airlines have not announced a restart, their decisions are often likely to reflect domestic factors –

s 6(a)

s 9(2)(g)(i)

The airports' business model responds positively to the recovery of passenger volume. If the airports' proposal was to be implemented, care would need to be taken to ensure it did not work against the tourism portfolio's priority of recovering value by incentivising the return of just low-cost carriers.

s 9(2)(g)(i)

[REDACTED]

s 6(a)

Transport and Treasury officials consider funding the airports' proposal from the MIAC appropriation would be difficult and could pose a fiscal risk to the Crown. The MIAC budget is not

expected to have a surplus, and escalating fuel prices may impact on the ability to deliver the 'smooth exit' to MIAC that was signalled when Cabinet agreed to extend MIAC in March 2022. A change to the MIAC appropriation would require a Cabinet decision.

You have accepted an invitation to meet with airport representatives to discuss the funding request on 12 May 2022. Officials will provide you with speaking points in advance of this meeting.

Recommended action

The Ministries of Business, Innovation and Employment and Transport recommend that you:

- a s 9(2)(b)(ii) *Noted*
- b **Note** that the amount of funding requested by the airports is between s 9(2)(b)(ii) *Noted*
- c **Note** that the airports have suggested the funding be sourced from a reprioritisation of a portion of the Maintaining International Air Connectivity appropriation, but that this appropriation is unlikely to have a surplus and will be under pressure due to rising fuel prices *Noted*
- d **Note** that a change to the MIAC appropriation would require Cabinet approval *Noted*
- e s 9(2)(g)(i)
- (i) the industry expects that international air connectivity will recover to 55 per cent of pre-pandemic levels by October 2022
- (ii) a number of long-haul airlines have already announced their return to New Zealand, or an expansion of their New Zealand services, for the 2022/23 summer season *Noted*
- f s 9(2)(g)(i) *Noted*
- g s 6(a) *Noted*
- h **Note** that you have agreed to meet with representatives of the airports to discuss the funding request on 12 May 2022 and that officials will provide you with speaking points in advance of this meeting *Noted*

- i **Indicate** whether you would like officials to undertake any further analysis at this time of the airports' funding request (*circle preference*):

Yes / No



Richard Davies
Director Policy, Tourism
Labour, Science and Enterprises, MBIE

22 / 04 / 2022



p.p

Carmen Mak
Director, COVID-19
Ministry of Transport

22/ 04 / 2022

Hon Stuart Nash
Minister of Tourism

..... / /

Hon Michael Wood
Minister of Transport

..... / /

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Background

The airports' proposal for support to recover long-haul air connectivity

1. On 13 April 2022, Carrie Hurihanganui, Chief Executive of AIAL and Malcolm Johns, Chief Executive of CIAL, wrote to you seeking government funding for use in encouraging long-haul air carriers to return, or to increase their existing services, to Auckland and Christchurch airports. Their letter is attached as **Annex One**.
2. The airports had previously presented a draft of their request for funding to Tourism and Transport officials.
3. The key parameters of the airports' request and their proposed support scheme are that:
s 9(2)(b)(i)

e. the support would be offered until 31 March 2023, i.e. it would end on the same date as the MIAC scheme.

4. s 9(2)(ba)(i)

5. The airports stress that other jurisdictions are partnering with competitor airports to provide financial incentives to airlines. They cite the examples of the New South Wales Government which has committed A\$120 million to an Aviation Attraction Fund which is dollar-matched by Sydney Airport, and the Queensland Government which is investing A\$100 million in a similar scheme which is again dollar-matched by Queensland airports.

Connection to the MIAC scheme

6. The airports recommend the funding for the proposed scheme be sourced from a s 9(2)(b)(ii) reprioritisation of the funding allocated to the MIAC scheme extension from 1 April 2022 to 31 March 2023, which is \$250 million.

7. s 9(2)(b)(ii)

8. Officials consider it would be difficult to fund the proposal from the MIAC appropriation. More detail about the funding and responses to the airports' comments about MIAC are included at paragraphs 29-36.

Which international airlines are returning to New Zealand routes?

9. Key to assessing the airports' request is an awareness of the current status of international air connectivity and which airlines and routes are already returning to New Zealand, in the absence of any funding being provided by government (other than through the MIAC scheme). An update of recent developments in air connectivity is set out below.
10. The Board of Airline Representatives New Zealand (BARNZ) recently shared with Transport officials that they expect international passenger travel to return to about 55 per cent of pre-COVID levels in October 2022. This is based on current airline commitments. Capacity is expected to increase further into the Northern Hemisphere winter season, with the return of North American carriers to New Zealand.
11. The 55 per cent capacity estimate aligns with recent announcements from a number of international airlines about their plans to return to, or expand, their long-haul operations on New Zealand routes. These include airlines that operate services both with MIAC support, and without. For example:
- Air New Zealand: is adding, or has recently added, long-haul services out of Auckland to San Francisco in April 2022, to Houston in July 2022, to New York in September 2022, and to Chicago in October 2022.
 - Air Canada: from November 2022 will return to New Zealand, with three-times weekly services between Auckland and Vancouver.
 - Emirates: from December 2022 will return to flying a direct Dubai-Auckland service, also a Christchurch-Dubai, via Sydney, service.
 - Hawaiian Airlines: from July 2022 will restart an Auckland-Honolulu service three-times weekly.
 - LATAM Airlines: since March 2022 has resumed Santiago-Auckland flights three-times weekly, with potential to increase to five-times weekly from July 2022.
 - Air Tahiti Nui: from May 2022 will restart a Papeete-Auckland service, increasing to three-times weekly in July 2022.
 - Malaysian Airlines: restarted a weekly Auckland-Kuala Lumpur service in April 2022 and intends to add services as demand rebuilds.
12. Singapore Airlines has also said it is considering increasing services to New Zealand, as demand builds.
13. TNZ has advised that - from the perspective of bringing back high-value visitors to New Zealand from priority markets - ^{s 9(2)(g)(i)} [REDACTED]
14. If the BARNZ estimate of a return to 55 per cent of pre-COVID international air capacity by October 2022 comes to pass, it will be welcomed by the tourism industry. ^{s 9(2)(g)(i)} [REDACTED]

Assessment of the airports' proposal

Effectiveness in delivering additional long-haul connectivity

The airports' position

15. The airports say that, when considering launching a new long-haul route in the post-COVID environment, airlines now expect the government at the destination to offer 'auxiliary income' to help secure the new route. This is in addition to incentives that airports may offer or other types of government support that may be available, such as the in-kind marketing assistance that TNZ can provide.

16. s 9(2)(b)(ii) [REDACTED]
- . In their letter to you, the airports have highlighted the funding that the New South Wales and Queensland Governments are providing and suggest that, if the New Zealand Government was to provide similar support, it would help New Zealand airports to compete with Australian airports in attracting airlines.

17. s 9(2)(b)(ii) [REDACTED]

Our assessment

18. We note that, as outlined in paragraphs 9-12, a number of long-haul airlines have already decided to restart or expand their New Zealand services without government support being on offer. s 9(2)(g)(i) [REDACTED]

19. The airports have shared with officials a list of airlines that could respond favourably to the proposed funding scheme. These are long-haul airlines that have suspended services to New Zealand, namely:
- *China/Hong Kong/Asian airlines*: Cathay Pacific, Air China, Hainan Airlines, Sichuan Airlines, Thai Airways
 - *North American airlines*: American Airlines, Air Canada (which has since announced a seasonal return) and United Airlines
 - *Pacific airlines*: Hawaiian Airlines (which has since announced a return).

20. s 6(a) [REDACTED] s 9(2)(g)(i)
21. s 9(2)(g)(i) [REDACTED]

22. Another consideration is the timing of this proposal. If it was to go ahead, officials expect it will take at least six weeks to get approvals and establish the scheme (particularly as a Cabinet decision would be required), s 9(2)(g)(i) [REDACTED]
[REDACTED] Due to passenger booking windows, which for long-haul destinations are typically three to nine months, there is then an additional significant lag for those airlines to start flying to New Zealand with sufficient passenger demand. This means that we may not see the benefit of this proposal for some time, s 9(2)(g)(i) [REDACTED]
[REDACTED]

23. s 9(2)(g)(i) [REDACTED]

Alignment with government priorities

The airports' position

24. In discussions with officials about their proposal, the airports noted that rebuilding long-haul connectivity will benefit the economy (e.g. tourism, trade/air freight and international education) and social wellbeing (e.g. by fostering family ties). A greater number of long-haul flights could also ease supply chain constraints. s 9(2)(b)(ii) [REDACTED]

Our assessment

25. Officials agree that long-haul connectivity delivers critical benefits to the economy and society. However, we know from our experience with MIAC during the pandemic, that many of the critical benefits of connectivity can be delivered with a significantly lower level of air capacity than we were accustomed to before 2020.

26. s 9(2)(g)(i) [REDACTED]

27. [REDACTED]

28. s 6(a) [REDACTED]

The airports' comments on the MIAC scheme

It will be difficult to fund the proposal from the existing MIAC appropriation

29. The airports' letter proposes the long-haul scheme be funded using s 9(2)(b)(ii) [REDACTED] of the funding allocated to the MIAC extension, which was \$250million. The \$250million was calculated assuming strong passenger recovery, and therefore reduced support throughout the period of the extension. On that basis alone, a significant surplus is unlikely. s 9(2)(g)(i) [REDACTED]
[REDACTED]

30. A change to the MIAC appropriation would also require Cabinet approval.

31. If the proposed scheme was to be implemented, it may therefore require a different source of funding. Further, others of our international airports may argue it is inequitable for them to be excluded and, if they were to join, the total funding required would likely need to increase.

The impact of MIAC on aviation sector recovery

32. Government support for international air connectivity was introduced in April 2020 as a short-term measure to ensure New Zealand retained sufficient airfreight connectivity. At that time, international borders were largely closed, and few flights were operating. As markets start to recover, this kind of intervention has an increasingly distortionary impact, but also becomes increasingly unnecessary. This was recognised when Cabinet considered the most recent extension of MIAC on 7 April 2022 [CAB-22-MIN-0055.02 refers]. Cabinet:

agreed that the MIAC scheme should end when passenger numbers return to a point where airlines break even (with contracts being actively managed), or 31 March 2023, whichever comes earlier

and

authorised the Ministry of Transport to enter into contracts with airline providers to reflect the decision [...] above.

33. These decisions are now being implemented by the Ministry of Transport, with provisions included in contracts which enable the termination of support before the end of 31 March 2023, and structures being put in place to ensure contracts are actively managed.

Response to airports' comments about MIAC impacting airline decisions

34. The airports have made a number of comments about the impact of MIAC on carriers which operate outside the MIAC scheme. These are addressed in the table below.

Airports' position	Officials' comment
s 9(2)(b)(ii), s 9(2)(ba)(i)	It is difficult to argue with a perception, but it may be overstated. MIAC (and its predecessor the International Air Freight Capacity scheme) have used a conventional procurement model to select carriers, with the process being open to all carriers. Seven carriers other than Air New Zealand are expected to be supported in the April 2022 – March 2023 period. ¹
	Following Cabinet's decision on 7 March 2022, Transport officials discussed the MIAC exit strategy with Auckland Airport, BARNZ, and Qantas to provide clarity on the importance of exit. The Ministry of Transport emphasised in those discussions that it was unlikely that MIAC support would remain in place when a competitor is operating on the route.
	Qantas and Air Canada, both airlines that are not supported under the MIAC scheme, have either started or committed to start operating on routes on which Air New Zealand receives MIAC support.

¹ China Airlines, China Southern, Cathay Pacific, Malaysia Airlines, Air Tahiti Nui, Korean Air and Air Calin.

s 9(2)(b)(ii)	
	<p>Based on our current engagement with MIAC carriers, we expect to be able to exit most routes over the course of the next 6 to 12 months. The long-haul carriers that would be targeted by the airlines' proposal are unlikely to return to the New Zealand market until the beginning of the 2022-23 summer season, or even later, based on information the airports have previously provided about route scheduling for that season needing to be in place by the end of March</p> <p>s 9(2)(g)(i)</p> <p>s 6(a)</p>

Treasury view

35. s 9(2)(g)(i), s 9(2)(b)(ii)
- 36.
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Next Steps

37. Representatives of the airports have asked to meet with you to discuss the funding request. You have accepted this invitation and are due to meet with Carrie Hurihanganui, Chief Executive of AIAL, and Malcolm Johns, Chief Executive of CIAL, on 12 May 2022 at 10am. Officials will provide you with speaking points in advance of this meeting.