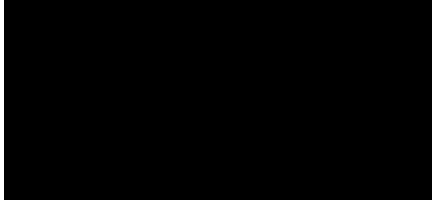


1 September 2021



Withheld to protect personal privacy

Dear  Withheld to protect personal privacy

I refer to your request dated 4 August 2021, pursuant to the Official Information Act 1982 ("the Act"), seeking:

*Under the Official Information Act the following briefings*

**Question:** *What reports, briefings, memos, aides-memoire, notes or other written advice, if any, did the Minister receive relating to Airways NZ plans to withdraw services from seven airports, between 1 October 2020 and 5 July 2021, by title and date?*

**Reply:** - *Visit to Hawkes Bay Airport - 18 March 2021 - Update on Kapiti Coast Airport - 30 November 2020 - Air Navigation Services and Regional Air Connectivity - 9 February 2021 - Meeting with the Minister of State Owned Enterprises - 23 February 2021.*

The following documents fall within the scope of your request:

1. Meeting Briefing - *Visit to Hawkes Bay Airport*, 18 March 2021
2. Briefing - *Update on Kāpiti Coast Airport*, 30 November 2020
3. Briefing - *Air Navigation Services and Regional Air Connectivity*, 9 February 2021
4. Meeting Briefing – *Meeting with the Ministers of State Owned Enterprises*, 23 February 2021.

In relation to Document 3, I note that it has already been released under a separate request, dated 5 May 2021. For your convenience, you may access it, at page 28, via the following link: <https://www.transport.govt.nz/assets/Uploads/OIA-response/OIAResponseReRegionalAirConnectivityAirwaysNZStructureAndIncentivesAndAirNavigationServices.pdf>

Certain information has been withheld from the released documents under the following sections of the Act:

- Section 9(2)(a) in order to protect the privacy of natural persons.
- Section 9(2)(b)(ii) of the Act in order 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.
- Section 9(2)(g)(i) in order 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.

- Section 9(2)(f)(iv) of the Act in order to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by officials.

Additionally, certain information has been determined to fall outside of the scope of your request and this has been indicated in the documents, where applicable.

In regard to the information that has been withheld, I am of the opinion that there are no countervailing considerations that make it desirable, in the public interest, to make the information available.

You have the right, under section 28(3) of the Act to make a complaint about the withholding of information to the Ombudsman, whose address for contact purposes is:

The Ombudsman  
Office of the Ombudsmen  
PO Box 10-152  
**WELLINGTON**

Yours sincerely



Withheld to protect personal privacy

Tom Forster  
**Manager, Economic Regulation**

18 March 2021

OC210103

Hon Michael Wood  
**Minister of Transport**

**Visit to Hawke's Bay Airport**

<b>Time and date</b>	2:00 pm, 23 March 2021
<b>Venue</b>	Hawke's Bay Airport
<b>Attendees</b>	[REDACTED]

Withheld due to being out of scope of the request

**Contacts**

Name	Telephone	First contact
Tom Forster, Manager, Economic Regulation	[REDACTED]	✓
Ken Hopper, Senior Licensing Adviser	[REDACTED]	

Withheld under Section 9(2)(a) of the Official Information Act 1982

Page 2 Withheld due to being out of scope of the request

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

## Air Traffic Control Services (ATC)

- 9 Airways Corporation provides ATC at the Airport.
- 10 COVID-19 has had a significant impact on the aviation sector and most international airlines have ceased flying to New Zealand. The grounding of flights throughout New Zealand and the loss of international air traffic has resulted in a sharp decline in Airways' revenue.
- 11 Collapsing traffic levels mean Airways is looking to reduce its cost base by 30 percent over the coming year. To this end, it is reducing its operational workforce.
- 12 In May 2020, Airways launched a review of the air traffic services it provides at seven regional airports experiencing reducing traffic volumes, including Hawke's Bay Airport. The review's purpose was to see what level of ATC is still needed at the airports, and that appropriate agreements are in place for funding these services.
- 13 The Airport was one of the airports that agreed to partner with Airways in undertaking the aeronautical studies that all the seven airports were required to do as part of the regulatory process associated with the proposed change.

### *Airways will maintain the ATC service at the Airport*

- 14 On 10 March 2021, Airways and the Airport announced that the independent aeronautical study had determined that the Airport's existing ATC service should stay. Airways and the Airport will now engage in discussions on a revised commercial agreement to cover the service going forward.
- 15 In a media release, Airways and the Airport welcomed the results of the study, which they say "presents a robust and comprehensive picture of the airport's ATC needs now and into the future. The report provides data driven modelling out to 2045 to inform the outcome."
- 16 The Airport CEO added that the "study has considered input from our stakeholders, including airlines, on what passenger numbers and aircraft movements will look like under a number of scenarios – including the pandemic".

You may want to signal to the airport that you intend to commission a review of air navigation services which will look at the regulatory, funding and institutional settings associated with the services. The review will involve all parties in the sector and will be first principles and broad in scope to also consider issues around integration of air space and how this could impact on current settings.



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OFFICIAL INFORMATION ACT

IN CONFIDENCE



Ministry of **Transport**  
TE MANATŪ WAKA

**BRIEFING**

30 November 2020

OC200906

**Hon Michael Wood**  
Minister of Transport

**No action required**

## UPDATE ON KĀPITI COAST AIRPORT

Withheld due to being out of scope of the request

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OFFICIAL INFORMATION ACT

- Airways provides an aerodrome flight information service (AFIS) at the Airport. Airways is currently reviewing the service.

Withheld under section 9(2)(b) of the Official Information Act 1982

IN CONFIDENCE

Withheld due to being out of scope of the request

- [Redacted]

Tom Forster  
**Manager, Economic Regulation**

Hon Michael Wood  
**Minister of Transport**

..... / ..... / .....

..... / ..... / .....

**Minister's office to complete:**

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

**Comments**

**Contacts**

Name	Telephone	First contact
Tom Forster, Manager, Economic Regulation	[Redacted]	✓
Abigail Wyatt, Advisor, Economic Regulation	[Redacted]	

Withheld under Section 9(2)(a) of the Official Information Act 1982

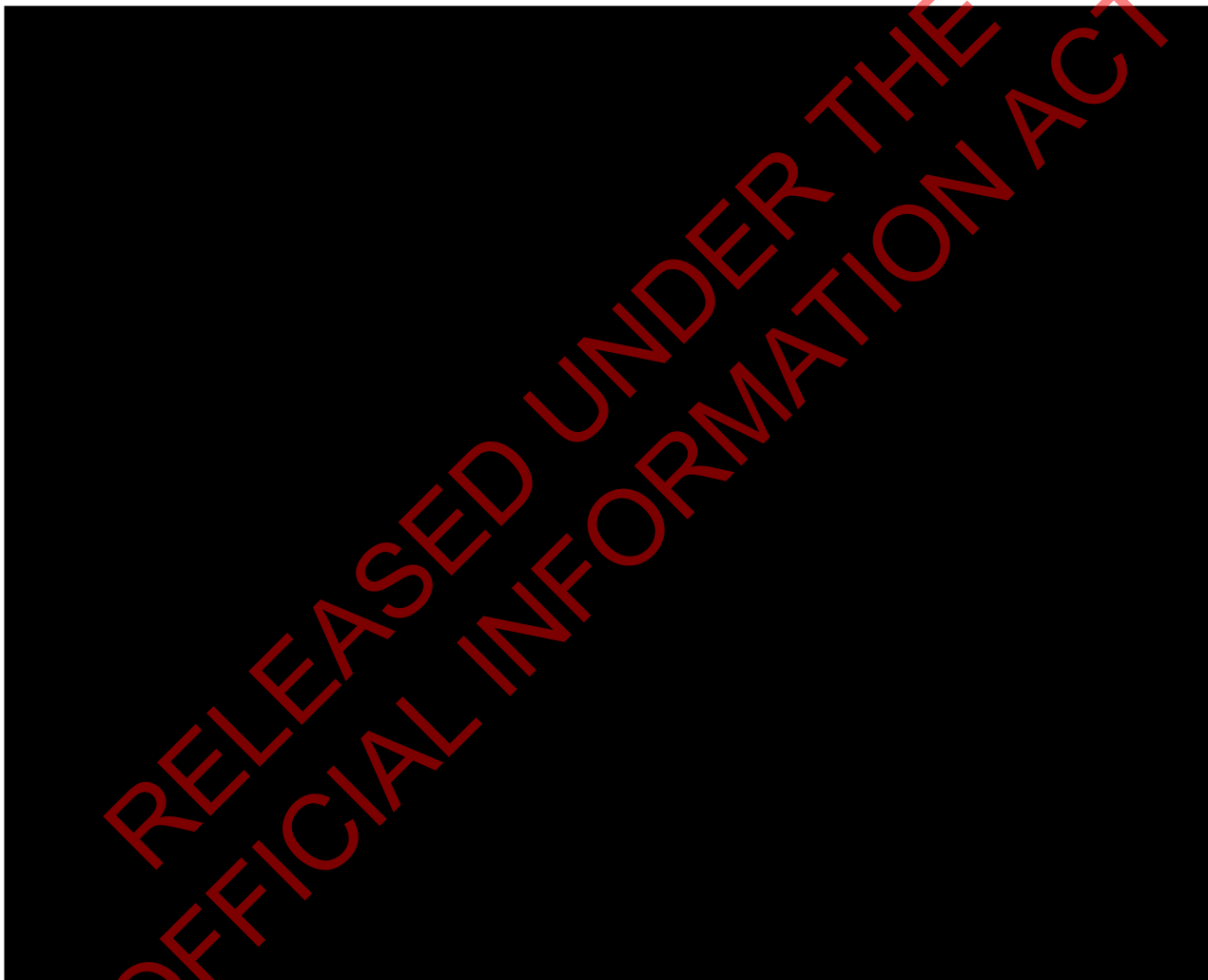
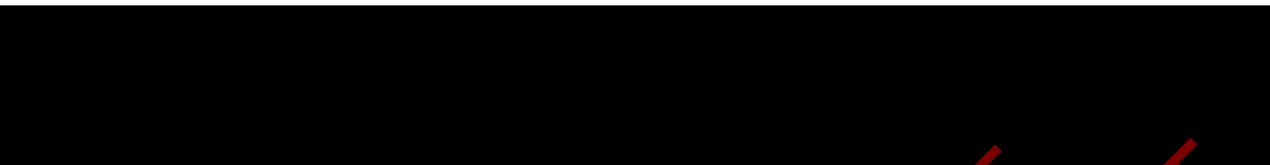
Page 3 Withheld due to being out of scope of the request



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OFFICIAL INFORMATION ACT

- 10 Earlier this year, Templeton Group, NZPropCo Ltd., the owners of the Airport, put a section of the commercially zoned land up for sale, and has recently suggested that the Airport is not “commercially viable”. It also suggested there are significant safety issues arising from Airways Corporation of New Zealand Limited’ (Airways) proposed withdrawal of aerodrome flight information services (AFIS) from the Airport (discussed later).

Withheld due to being out of scope for the request



Withheld due to being out of scope of the request

### **Airways services at the Airport**

#### *Aerodrome Flight Information Services (AFIS)*

- 18 Airways provides AFIS at the Airport. AFIS is provided at airfields where, despite not being busy enough for full air traffic control, the traffic is such that some form of service is necessary. AFIS can be seen as a half-way house between an uncontrolled and controlled airfield. The AFIS provides pilots of aircraft with details of other known traffic taking off, landing and flying in the vicinity of the airfield.

**IN CONFIDENCE**

- 19 COVID-19 has had a significant impact on the aviation sector and most international airlines have ceased flying to New Zealand. The grounding of flights throughout New Zealand and the loss of international air traffic has resulted in a sharp decline in Airways' revenue.
- 20 Collapsing traffic levels mean Airways is looking to reduce its cost base by 30 percent over the coming year. Reduction of the operational workforce is required to achieve headcount reduction and associated savings, as people and technology make up the majority of Airways' cost base.

*Airways may withdraw the AFIS service from the Airport*

- 21 Airways has proposed to cease providing air traffic control services at Hawke's Bay, Gisborne, New Plymouth, Rotorua and Invercargill airports. The AFIS provided at the Airport and Milford Sound Piopiotahi Aerodrome are also proposed to be withdrawn. The locations currently under review are those where air traffic had been low even before the COVID-19 outbreak.
- 22 A decision has not yet been made on the future of the AFIS currently provided at the Airport. Airways has indicated that it is unable to keep providing the AFIS under the current commercial agreement it has with the Airport. Airways has advised that it is currently working through the review process to determine one of three possible options:
- continue to provide the AFIS under new commercial terms; or
  - provide a different service at the airport under new commercial terms; or
  - stop providing the service.
- 23 The Civil Aviation Authority (CAA) will determine the level of service needed for the Airport to operate safely. As there are a number of steps for the Airport and the CAA to first work through to reach a decision, Airways' intention is continue to provide the current level of service at the Airport until this process is complete.

*Temporary staffing shortage at Kapiti Coast Airport tower*

- 24 Airways is also currently managing a temporary staff shortfall due to two recent resignations at the Airport tower.
- 25 To manage the shortfall from 3 November to 10 November 2020, Airways' shifts at the tower were re-arranged to accommodate scheduled flights into and out of the Airport and minimise the impact to users. During the times that the tower was unattended, the Airport operator made the decision to close the airport with the exception of emergency services and helicopters.
- 26 Temporary staff have now been appointed and will be undergoing training at the tower over a two-month period. While these staff complete their training, Airways anticipates there will be similar shortfalls in the roster for up to a six week period from mid-December. Airways is working to re-arrange shifts to mitigate any impact to scheduled flights.

Page 6 Withheld due to being out of scope of the request

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23 February 2021

OC210132

**Hon Michael Wood**  
**Minister of Transport**

**MEETING WITH THE MINISTER OF STATE OWNED ENTERPRISES**

You are meeting with Minister Clark, the Minister for State Owned Enterprises to discuss Airways Corporation's role in the aviation sector.

<b>Time and date</b>	10:30am, 25 February 2021
<b>Venue</b>	Your office
<b>Attendees</b>	Hon David Clark, Minister for State Owned Enterprises Kirstie Hewlett, Deputy Chief Executive, Ministry of Transport Keith Manch, Director, Civil Aviation Authority

**Key points**

- Airways plans to withdraw from providing certain air traffic control services at a number of airports. Initial indications are that some form of air traffic services are required at these airports.

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- Given the current issues with the air navigation system, a first principles review should be undertaken of navigation and aircraft surveillance, regulatory, funding and institutional settings involving all parties in the sector.

Withheld under section 9 (2)(b)(ii) of the Official Information Act 1982

**Contacts**

Name	Telephone	First contact
Tom Forster, Manager, Economic Regulation		✓

Withheld under Section 9(2)(a) of the Official Information Act 1982

**UNCLASSIFIED**

# MEETING WITH THE MINISTER OF STATE OWNED ENTERPRISES

## Background

- 1 Airways Corporation of New Zealand (Airways) is the State-owned enterprise (SOE) that operates key parts of New Zealand's air navigation system as a statutory monopoly under the Act.
- 2 As a SOE, Airways' principal statutory objective is to operate as a successful business and, to be as profitable and efficient as comparable businesses that are not owned by the Crown.
- 3 As a SOE, the Ministry does not have a formal monitoring role over Airways. As the Minister of Transport, you have no formal responsibility to influence how Airways operates. Instead, Airways is monitored by the Treasury. Its shareholding ministers are the Minister of Finance and Minister of State-owned Enterprises.

## Issues and Opportunities raised with Air Navigation in New Zealand

### *Airways plans to withdraw from providing certain services*

- 4 COVID-19 has had a significant impact on the aviation sector and most international airlines have ceased flying, or significantly reduced services, to New Zealand. Airways has not been immune to this and has been significantly affected.
- 5 As part of its response to COVID-19 and in response to Government asking it to consider to right-size its operation, including by actively managing the costs of its workforce, as well as decreasing the financial risk exposure of its commercial business units, Airways is intending to cut costs by 30 percent. It has proposed to cease providing air traffic control services at Hawke's Bay, Gisborne, New Plymouth, Rotorua and Invercargill airports. The aerodrome flight information services provided at the Kapiti Airport and Milford Sound Piopiotahi Aerodrome are also proposed to be withdrawn. The locations under review are those where air traffic had been low even before the COVID-19 outbreak.
- 6 All the affected airports are undertaking aeronautical studies to identify the risks associated with aerodrome and airspace processes and procedures and mitigations associated with Airways' planned withdrawal.
- 7 The aeronautical studies are expected to be completed within the first quarter and the assessments by the Civil Aviation Authority (CAA) are expected to be finalised by mid year.
- 8 Initial indications are that the aeronautical studies are likely to conclude that some form of air traffic services are required at these airports. If the Director of Civil Aviation determines that a service should be provided in the interests of safety, the aerodrome operator must ensure that the service is provided.

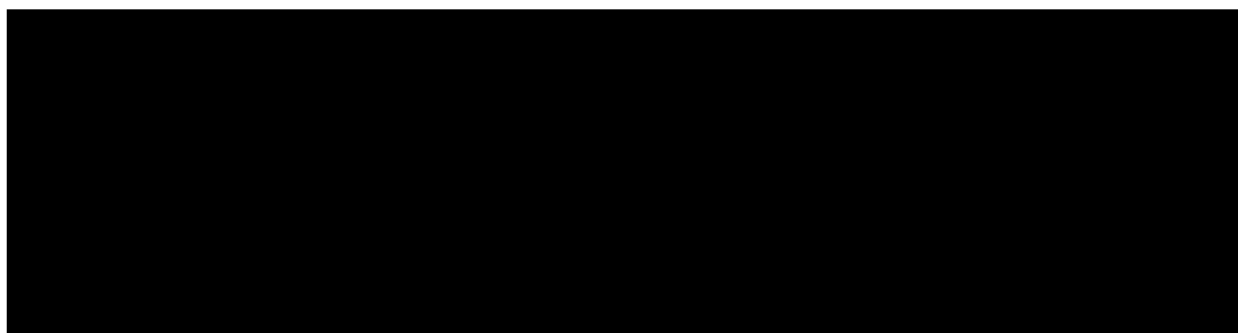
- 9 In New Zealand, Airways is the only provider of such service. If airport operators are unable to reach agreement with Airways for the provision of the service, the Director can place limitations on the numbers and type of activity that could occur when passenger aircraft are flying into and from an airport.
- 10 This could have the following impacts:
- It may cause some of the smaller aerodromes to close. For example, it is unlikely the Ministry could run the Milford aerodrome safely without aerodrome flight information service;
  - It will constrain general aviation and smaller passenger airline services;
  - some of the airports may be challenged to cover their operating and maintenance costs from the revenue they receive from their small user bases, and may not be able to pay for Airways' services.



Withheld under section 9(2)(g)(i) of the Official Information Act 1982

*Airways upcoming pricing review*

- 12 Airways sets prices for a three-year pricing period. Airways calculates the revenue required to operate for a three year period at each airport (including enroute services), and based on forecast flights, sets its prices to recover the revenue to meet the costs of providing its services, including cost of capital. It consults with the sector on its proposed pricing.
- 13 Airways' cost structure is not flexible in the short term to fluctuations in volumes. A key risk faced by Airways is that if the volume of traffic anticipated at the start of the pricing period does not eventuate, this could severely affect its revenue, as has been experienced during COVID-19.
- 14 While exposure to minor volume fluctuations is accepted as normal business risk, to address the issue of large fluctuations in volume, Airways operates a volume risk sharing mechanism based on variations in base revenue from the forecast. This mechanism has also been ineffective as a result of the large drop in flight volumes that has been caused by the COVID-19 pandemic.



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[Redacted]

[Redacted]

[Redacted]

*First principles review*

- 19 Air travel contributes significantly to economic and social prosperity. Air navigation services are critical to the safe operation of the aviation system and a national modern air navigation system is required to support economic activity.
- 20 Developments in aviation technology in many fields are opening the door to new opportunities for efficiency and safety improvements, including the emergence of drones which are enabling the public to participate directly in the aviation system.
- 21 The Civil Aviation Act has an air navigation system that was based on European regulatory models and works on the premise that there can be competition for other air navigation services. This does occur in Europe where in some countries there are multiple air service providers.

[Redacted]

- 23 [Redacted]  
[Redacted] Any competitor for services would also need to engage with the Airways air traffic management system, which Airways is highly incentivised to protect as it derives its commercial benefit from it. This means that the barriers to any competitor entering this market are high and to date there has been no competition for services.

- 24 A number of challenges and opportunities have arisen with the current air navigation services. These include

- 24.1 issues with the regulatory settings which have been compounded by COVID-19

- 24.2 new technology challenges and opportunities within the system and how to pay for them



- 24.3 questions around whether current air navigation could be simplified and more efficient to support facilitation and emissions reduction
- 24.4 system funding issues
- 24.5 drone integration and the rise of emerging technologies will change the way in which air navigation is regulated and managed.
- 25 Given all of the issues above around the regulatory settings, new technologies, funding of the system, and integration of air space, most stakeholders, and the Ministry consider, that there is an opportunity to undertake a first principles review to determine what we want from the air navigation system, what the roles of the various players are, the regulatory settings for current and future uses, how the system should be funded and issues around integration of air space and how this could impact on current settings.
- 26 The review should be undertaken in consultation with all participants in the aviation sector such as Airways, other government agencies (e.g. the Ministry of Transport, CAA and MBIE), large and small airlines, unions, and the general aviation sector.

*It would be useful to outline the fact you are considering a review of air navigation in New Zealand in the latter half of 2021. The review would be first principles and look at what the Government wants to achieve for an air navigation system now and into the future. It would include regulatory, institutional and funding settings and the relationship of controlled airspace with drone integration and aerospace.*