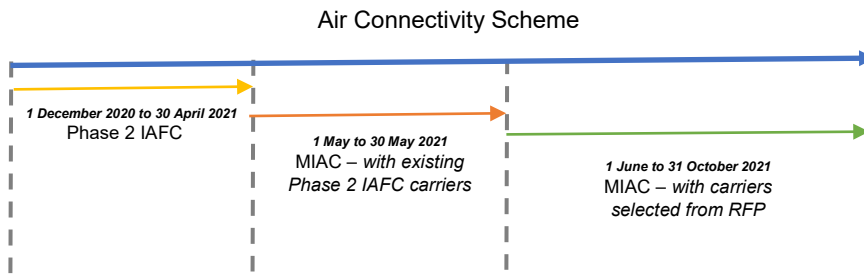


Maintaining International Air Connectivity (MIAC) Scheme

The new scheme's objectives and selection criteria pivot towards recovery, allowing for greater consideration of not only airfreight capacity, but also connectivity with key partner destinations and future passenger carrying capabilities.



How the MIAC scheme works

Under the terms of the scheme, airlines and air cargo carriers are invited to submit proposals to provide air services on key routes according to agreed criteria. The MIAC scheme is open to all potential providers including passenger airlines, dedicated freight carriers and others in the sector. Supporting passenger airlines to maintain international routes is also a consideration.

For appointed carriers, funding is provided to guarantee air services on key routes. Airlines then offer those services directly to the market on commercial terms.

Criteria

An open and competitive process is run under which any airline can submit a proposal to operate a route.

Decisions are made on normal commercial grounds, such as price and ability to deliver, and the ability of applicants to meet the following key objectives;

- retaining air connectivity with New Zealand's principal trading partners
- enabling continued essential passenger movements
- retaining important air connections to the Pacific
- maintaining core capability, capacity and competitiveness within the New Zealand aviation sector to provide a platform for an efficient and competitive market when international air travel recovers.

We have to be satisfied that, without Government support, the air capacity would not otherwise be provided.

Routes

A decision has not been made on routes and frequencies for MIAC scheme. We are currently seeking proposals that cover the international connections to New Zealand's major partners. We expect to develop a schedule of routes and frequencies, from the proposals received, which delivers the best balance and demand for air services.

The Ministry of Transport is leading the MIAC scheme, and works closely with MBIE, MPI, NZTE, MFAT and Customs to understand the demand on different routes. All of the

Government agencies regularly engage with the private sector to better understand their needs. The scheme is not intended to satisfy all the demand that exists for air services.

Funding

Agreements have not yet been entered into for the MIAC scheme.

However, under the previous International Air Freight Capacity (IAFC) scheme, each agreement is different, and is tailored to the carrier's proposal, route and freight capacity.

Within the terms of the funding agreement, flights that operate below a specified threshold are not eligible for support.

Returning to pre-COVID prices

The scheme does not return us to pre-COVID airfreight rates. Market rates for airfreight have increased and are likely to stay above pre-COVID rates in the medium term – and possibly for the long term. This is because before the global pandemic, passengers provided the core part of the revenue stream for most air services to New Zealand. We recognise that passenger travel to and from New Zealand is challenging and expensive in the current circumstances. The current scheme is designed to ensure routes are kept open, it won't deliver pre-COVID airfares.

Why isn't the Government providing support to restore pre-COVID freight rates?

The Government is stepping in temporarily to enable some air services. The scheme uses a robust market-led approach, requires importers and exporters to pay for their freight on a commercial basis, and aims to help the sector recover as quickly as possible.

Target number of flights

There isn't a target number of flights. We are carefully monitoring the overall market. Depending on market conditions, we are able to ramp up, wind down or adapt the scheme.

We do not intend to supply all of the capacity demanded by the market. The more freight moved, market confidence will be restored, which will drive both increased capacity and increasingly competitive freight rates.

Repatriation of New Zealanders overseas

Over 60,000 passengers arrived in New Zealand on air services supported under the previous IAFC scheme. The new scheme is expected to provide a means for New Zealanders to return home.

How long does the scheme run

The new scheme runs to the end of October 2021, with an option to extend to March 2022.

Accountability and monitoring of the scheme

The appointed airlines / carriers are required to provide detailed information on their operations to the Ministry of Transport.

We have a monitoring programme which focuses on the positive (and potential negative) effects of the scheme on the airfreight market, and we are able to adjust the scheme accordingly.

Our intention is to exit the scheme as soon as possible, and certainly when a modest level of passengers return to each route.

New Zealand's international trade obligations and our policy to oppose subsidies

The COVID-19 pandemic is an extra-ordinary set of circumstances. As a geographically isolated island nation, New Zealand has been severely impacted by the sharp drop in air connectivity.

The scheme is a temporary, time-bound measure to maintain air services that are essential for New Zealand's connectivity, and aims to help the sector recover as quickly as possible.

A number of other governments are, like New Zealand, stepping in temporarily to help maintain some air services.