

Phase 2: Maintaining International Air Connectivity (MIAC) Scheme

The objectives for Phase 2 of the MIAC scheme remain the same as under Phase 1. The scheme is focused on supporting New Zealand's post-COVID recovery. It considers not only airfreight capacity, but also connectivity with key partners, the importance of connections for passenger travel, and New Zealand's longer-term economic recovery.

Airlines, routes, and frequencies from 1 November 2021 to 31 March 2022

The services supported under phase 2 are currently being confirmed with the airlines. Once confirmed, the supported carriers, routes and frequencies will be updated here.

How Phase 2 of MIAC scheme works

The airlines contracted under Phase 1 of the MIAC scheme have been invited to enter into negotiations to provide services under Phase 2. No new carriers are being considered for Phase 2 at this stage. This is aligned to the Phase 1 *Request for Proposals* which was clear that those carriers confirmed as part of Phase 1 would be given the opportunity for continued support if the MIAC scheme was extended.

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

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 and there will continue to be a large number of services which operate outside of the MIAC. Businesses will need to plan for the conclusion of the MIAC scheme on 31 March 2022.

Criteria

An open and competitive procurement process was run in April 2021 under which any airline could submit a proposal to operate a route(s).

Decisions on the airlines to support were 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.

Routes

Negotiations are currently underway with airlines on the routes and frequencies for Phase 2 of the MIAC scheme. This document will be updated to include the agreed routes as soon as contractual negotiations are concluded. We expect to develop a diverse and robust schedule

of routes and frequencies that cater to New Zealand's connectivity needs over the coming months.

Funding

Agreements are currently being entered into for Phase 2 MIAC scheme. Each agreement is different, and is tailored to the carrier's proposal, route, passenger carriage, and capacity.

Returning to pre-COVID prices

The Government is stepping in temporarily to enable some air services to continue operating despite the challenges caused by COVID-19. The scheme uses a robust market-led approach, requires passengers, importers, and exporters to pay for services on a commercial basis, and aims to help the sector recover as quickly as possible.

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 or frequency of services.

Meeting demand

The objective of the MIAC scheme is to maintain air connectivity. It is not intended to supply all of the capacity demanded by the market. The more freight that is moved outside the MIAC, the more market confidence will be restored, which will drive both increased capacity and increasingly competitive freight rates.

Repatriation of New Zealanders overseas

Over 85,000 passengers have returned to New Zealand on flights supported under the MIAC and IAFC schemes. The extension of the MIAC scheme will continue to provide a way for New Zealanders to return home.

How long does the scheme run?

The MIAC scheme began on 1 May 2021 and was scheduled to end on 31 October 2021. The scheme has since been extended and will now end on 31 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 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 as expected under the Reconnecting New Zealanders strategy.

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

The COVID-19 pandemic is an extra-ordinary set of circumstances.

Across the world, a number of governments have needed to step in temporarily to help maintain air connectivity.

As a geographically isolated island nation, New Zealand has been severely impacted by the sharp drop in air connectivity.

The MIAC scheme is a market-led, 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.