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Dear Rob

Airways' proposed pricing for the 2026-2028 period

Thank you for the supplementary information on Airways' pricing proposals and the opportunity to make further comment.

Power and lighting asset transfers

We acknowledge Airways' confirmation that $2 million of asset value has been removed from the pricing base as a result of these transfers. However, we remain concerned about the transparency of these adjustments and their practical effect on pricing across the network.

The current regional tower group model does not reflect significant differences in service scope. Some airports have assumed capital and operating responsibility for lighting and power systems, yet continue to pay the same charges as airports where these services are still delivered by Airways – while also bearing the cost of upgrading and maintaining that infrastructure themselves.

To ensure pricing fairness and cost attribution accuracy, we recommend:

- Publishing an aggregated summary of divestments and associated pricing adjustments by region
- Reviewing regional tower groupings to better reflect differences in service scope and eliminate cross-subsidisation
- Establishing a standing commitment that where Airways' responsibilities are reduced, this is explicitly reflected in pricing structures – not only in cost base adjustments, but in service-specific pricing logic

While we understand that some information may be commercially sensitive, we believe this is outweighed by the need for transparent, equitable pricing across the network.

General aviation pricing

We acknowledge Airways' explanation that the proposed pricing changes for general aviation (GA) are based on inflationary adjustments. However, to ensure long-term pricing transparency and sector sustainability, it is important for all participants to have a clearer understanding of the actual service usage by GA and the cost-to-serve associated with that usage.

A better understanding of how much (if at all) GA is being subsidised is vital to building a shared view of where financial pressures are felt across the system, and how different user groups contribute to, and benefit from, Airways' services. We encourage Airways to publish data or modelling on GA-related service utilisation and cost allocation in future consultations.

Strategic initiatives

We acknowledge that the development of systems like UTM and RAAS is forward-looking and necessary for maintaining safety and system resilience in a changing aviation landscape. Airways is rightly taking steps to prepare for future operational needs and emerging technologies.

We also recognise that the question of how these initiatives are funded is not solely within Airways' control. However, we believe it is important to front up to a broader issue: in almost all comparable jurisdictions, investments of this nature are treated as public goods and are typically funded through government budgets or innovation-focused infrastructure programmes.

Embedding the cost of strategic initiatives like UTM into general air navigation charges risks distorting the cost base for current aviation users, particularly when the primary beneficiaries will be new entrants to the airspace who currently do not contribute to cost recovery.

We support Airways' indication that it is reassessing how to fund UTM and encourage continued dialogue with central government agencies. These projects are critical to New Zealand's aviation future, and we believe the right funding model is essential to ensure pricing fairness, innovation progress, and sector alignment.

Growth projections

We appreciate Airways' commitment to refining its volume assumptions ahead of final pricing, particularly as many parts of the domestic network are experiencing real decline. This is an important step, and we look forward to reviewing how those inputs have evolved based on industry feedback and updated service schedules.

SoE dividend expectations

The cost pressures facing the aviation sector are not solely the result of operational decisions or capital investments – they are also a function of structural settings. Airways, as a State-Owned Enterprise, is required to generate a commercial return and pay a dividend to the Crown. This requirement adds a layer of financial pressure that is ultimately borne by users through higher air navigation charges.

In contrast, many of New Zealand's peer countries operate not-for-profit or government-funded air navigation services, recognising that such systems are critical infrastructure and enablers of regional development, connectivity, and national resilience.

As reflected in our initial submission, we believe this is an appropriate moment to revisit Airways' financial framework. Given the scale of required investment, the need to support innovation, and the cumulative burden on users, the Government should consider:

- Reducing or waiving Airways' dividend requirement over the FY26–28 period
- Redirecting retained earnings into sector-priority projects such as UTM or airspace modernisation
- Re-engaging with the findings of the Air Navigation System Review to explore long-term reforms to how Airways is funded

This is not a reflection on Airways' performance, but rather on the need for the sector's financial settings to align with its public value. A sustainable model should balance the need for operational efficiency with the government's broader objectives for safe, affordable, and accessible aviation.

We remain committed to working constructively with Airways and government to ensure a fair and sustainable air navigation system for all users.

Yours sincerely

Billie Moore
Chief Executive