

5 December 2024

James Young
Chief Executive Officer
Airways New Zealand
submissions@airways.co.nz

cc: Carrie Hurihanganui
Chief Executive Officer
Auckland International Airport Limited

cc: Keith Manch
Director
Civil Aviation Authority

cc: Audrey Sonerson
Secretary of Transport
Ministry of Transport

Re: Auckland Air Traffic Control Tower Replacement - 2024

Thank you for the opportunity to submit on proposals for the Auckland Air Traffic Control Tower Replacement. The Board of Airline Representatives of New Zealand (BARNZ) represents some 25 member airlines who fly to, from and within New Zealand. It also represents businesses reliant on air connectivity such as ground handlers, catering companies and waste management businesses. We ensure connection of New Zealanders domestically and with the world and facilitate critical import and export trade.

This submission presents the general views of BARNZ members. Individual member airlines may choose to provide their own submissions to reflect their specific situations.

Appropriate aeronautical planning should not lead to urgent replacement requirements

The replacement of the Auckland ATC Tower is urgently required because *“the construction of Pier A1 will obstruct critical views from the current contingency tower, impacting safety and requiring an alternative solution before 2026”*.¹

For reasons not completely clear in the consultation document, it appears that Auckland International Airport Limited’s (AIAL’s) capital plans for its integrated terminal are in conflict with the sight lines of Airways New Zealand’s Auckland Air Traffic Control Tower. BARNZ understands that the planned 27 metre height of AIAL’s integrated terminal (Pier A1) matches the 27 metre height of the existing Auckland ATC Tower. Urgent replacement is now required, and earlier decisions and efforts to plan for digital tower options are being set aside – locking New Zealand into conventional ATC options. It seems likely that this decision will disincentivise progress to Digital Aerodrome Services (DAS) for New Zealand.

Airline members of BARNZ cannot understand how height conflict between the ATC Tower and the Integrated Terminal was not foreseen. What appears to have happened is that the sightlines conflict was realised well after AIAL’s construction of the integrated terminal was underway. As the consultation document sets out, a temporary workaround has been put in place that offers a short-term solution for tower-to-runway sightlines while urgent permanent solutions are found.

Given the sightline conflict *‘rendering [the ATC Tower] inoperable due to the loss of critical runway views² by 2026*, Airways are left in the unenviable position of having to change course to urgent provision of a conventional Auckland ATC Tower, supplemented in due course by a digital contingency tower. Airlines are left in the equally unenviable position of having no choice but to fund a conventional tower, despite that this choice conflicts with earlier consultation and decisions taken just two years earlier.

2022 consultation resulted in decisions to implement a hybrid digital tower

As noted in the 2024 consultation document, Airways New Zealand last consulted on options to replace the Auckland Air Traffic Control Tower in September and October of 2022. The 2022 consultation was informed by the lease for the existing Auckland ATC Tower footprint being required by AIAL before 2029. Generally, and as set out in Airways’ summary of submissions document, submitters including BARNZ were in favour of exploring options for a digital or hybrid replacement tower.

¹ Auckland Air Traffic Control Tower Replacement November 2024, Airways NZ.

² Auckland Air Traffic Control Tower Replacement November 2024, Airways NZ. Page 8.

At the conclusion of this process, Airways explained their choice of replacement option as follows:

“Airways will proceed with its proposal to implement a Hybrid digital tower at Auckland Airport, supported by a digital contingency tower.

As stated in the Consultation Document, as our confidence and experience builds with the undertaking of the digital contingency tower validation there will be a review carried out prior to construction commencing on the Hybrid tower.

This review will provide an opportunity to consider whether

- (1) to proceed with the current plan to construct the hybrid tower and digital contingency facility, or*
- (2) go with a full digital primary tower facility (along with the digital contingency facility).*

Following discussions with AIAL during the consultation period, the lease has been extended until 31 December 2028. At this stage, the extension of the lease does not affect Airways’ choice of preferred replacement option and implementation approach. It does, however, enable Airways to extend the implementation timeline by 18 months to assess whether a full digital tower would offer an appropriate and safe solution.”³

BARNZ member airlines concluded the 2022 consultation process with the understanding that given the lease on the existing Auckland ATC Tower had been extended to 31 December 2028, this also meant that the Tower would remain operable until at least that date. It appears that this was not the case – or that the conflict was then unknown.

By the time the 2022 submissions on the Auckland ATC Tower were made, airlines were in consultation with AIAL on its capital plans for the Price Setting Event 4 (PSE4) 2023-2027. Given non-disclosure agreements in place for AIAL’s price consultation on PSE4, airlines were not able to share those capital plans with Airways New Zealand. AIAL should have done so well before they were put to airlines – that is, before 2022. AIAL should have considered impacts to ATC in detailed design processes for its integrated terminal.

³ Auckland Air Traffic Control Tower Replacement - Industry Consultation Response; Airways NZ.

Urgent physical tower replacement conflicts with Airways DAS Strategy

In February 2024, Airways engaged Think Research, an independent air traffic management consultancy. BARNZ, along with other aviation participants, was asked to contribute to work conducted by Think Research on behalf of Airways New Zealand to consider options appropriate to New Zealand for Digital Aerodrome Services (DAS). In November 2024 – just ahead of publication of this consultation document, BARNZ was provided with the final reports for the DAS analysis.

The options Airways requested be considered were:

- 1. Maintain the status quo – a scenario in which DAS has not been taken forward and therefore no change is assessed.*
- 2. Digital contingency towers for trunk – a scenario in which the four main trunk aerodromes have been provided with a digital tower to be used in contingency operations.*
- 3. Regional DAS centres – in this scenario all regional aerodromes transition to DAS and now receive ATS provided remotely from three small to medium sized DAS hubs. Local, physical towers remain the means of ATS provision for trunk aerodromes.*
- 4. Nationwide digital transformation – a scenario in which all aerodromes in New Zealand now have their ATS provided remotely and digitally from two medium to large scale DAS hubs.*

The summary report from Think Research noted:

*“Whilst the alternative approach of not doing DAS is viable in the short term, it is clear from this report and the baseline report that something will need to change if Airways is to remain true to its vision of safe skies today and tomorrow whilst accommodating predicted traffic growth. Some sort of future investment being required seems inevitable. When taken independent of any other considerations, given the internal trade-offs and the context, **it is our opinion that Scenario 3 – Regional DAS hubs – presents the optimal strategy for Airways.**”⁴*

Despite these very recent reports, which are a result of months of work by system participants including Airways staff, there is no mention of the work from Think Research, or mention of regional provision of DAS in Airways’ Auckland Air Traffic

⁴ DAS and UAM solutions development and delivery planning: Digital Aerodrome Services scenario report, Think Research, commissioned by Airways New Zealand.

Control Replacement consultation document. Looking across both documents, it seems that the sudden change to investment strategies regarding the Auckland Tower is in conflict with long term DAS strategies Airways might have otherwise progressed with.

BARNZ asks that Airways make clear its intentions for digital aerodrome services in responding to submissions regarding urgent replacement of the Auckland's physical ATC Tower, including whether the need to urgently respond to the sightlines conflict has contributed to that strategic planning.

Options presented represent a Hobson's Choice⁵

Other tower replacement options proposed by Airways cannot be supported. Two of three of these are also for conventional towers in any case – one delivered later and one delivered at greater height with no extant demand requirement for that height.

A fully digital tower is considered as a third option:

- Airways notes strategic work on digital towers finds DAS should not be site specific. BARNZ notes that the brief given to Think Research for its strategic work likely did not include a near term loss in operability of the Auckland ATC Tower. If it had done, proposals might have included a digital tower option for the North Island based at or near to AKL.
- BARNZ was surprised to note that the scale of current and projected operations at AKL exceeded any operating DAS unit globally. BARNZ assumes this means that AKL is projected to be busier than London City (extant digital tower) Western Sydney Airport (extant digital tower) Budapest Airport (extant digital tower) or indeed Changi Airport (currently trialling digital tower) are or will ever be. BARNZ requests detail of growth paths for AKL be shared to support this assessment.

Auckland Airport Interdependencies

BARNZ appreciates and supports the summary of interdependencies with Auckland Airport included in the consultation document. This allows airlines to see what AIAL

⁵ According to a plaque underneath a painting of Hobson donated to Cambridge Guildhall, Hobson had an extensive stable of some 40 horses. This gave the appearance to his customers that, upon entry, they would have their choice of mounts, when in fact there was only one: Hobson required his customers to take the horse in the stall closest to the door. This was to prevent the best horses from always being chosen, which would have meant overuse of the good horses. Source: Wikipedia, 'Hobson's Choice'.

is likely to have agreed to in discussions with Airways to find a solution to the air traffic control problem created by the integrated terminal development. This transparency is valuable. It would be useful for these statements to be made by AIAL itself, and committed to by its current leadership team.

While these interdependencies are a good summary of AIAL's responsibilities, many of these are extant responsibilities relating to the existing Auckland ATC Tower. That is, Auckland should have protected the original tower site, preventing construction or activity within the aerodrome that could impact the operation of air traffic control. Had it done this, New Zealand might have been able to benefit from fully digital aerodrome services. As it is, a DAS opportunity is now much less likely to progress. Without options for fully digital tower services, airlines operating to New Zealand are likely to permanently bear higher costs than DAS options may have delivered.

AIAL is responsible to be compliant to Part 139 of the Civil Aviation Rules. These include 139.21, as set out below.

139.121 - Protection of navigation aids and ATS facilities

A holder of an aerodrome operator certificate must—

(1) prevent any construction or activity on the aerodrome or surrounding area that the certificate holder has authority over, that could have an adverse effect on the operation of any electronic or visual navigation aid or air traffic service facility for the aerodrome; and

(2) prevent, as far as it is within the certificate holder's authority, any interruption of electronic or visual navigation aid or air traffic service facility for the aerodrome.

BARNZ requests that the Civil Aviation Authority consider this scenario, where the construction of AIAL has clearly had an adverse effect on the operation of the Airways air traffic service facility at Auckland.

BARNZ observes that there are other critical aeronautical infrastructure items on AIAL' precinct which it does not own. The JUHI is the immediate fuel holding for airlines. BARNZ requests that the Ministry of Transport take an interest in both the Auckland ATC Tower provision and developments relating to the JUHI in RASU discussions for AIAL. It is important that there is appropriate state oversight of matters that are core aeronautical functions at our largest international and domestic hub.

Rising costs for airlines contribute to softening demand for AKL

Airlines are already required to pay for the estimated \$5.9 billion dollars of aeronautical capital cost for the aeronautical development AIAL has commenced building, and will charge airlines for between now and 2032. This capital cost of redevelopment has created a rising price path for all airlines operating to Auckland International Airport – from the smallest of regional aircraft to the largest long-haul operators. Airlines are aware that prices for landing, passenger processing and transiting at Auckland Airport are likely to rise until at least 2032.

AIAL's rising price path is a contributing factor to the current softening of demand for air services to New Zealand. In the current Northern Winter season, AIAL is experiencing a flat demand environment, arising from both cost increase and aircraft constraint. Growth of air services in 2025 is planned for New Zealand airports beyond Auckland, as airlines seek to avoid AIAL's rising costs.

Other rising costs impacting airlines include the rising cost of Civil Aviation Authority and Avsec levies. These are likely to rise substantially once decisions are taken later this year. [BARNZ submission to this process is available here.](#)

Travellers to New Zealand are also facing rising costs beyond those included in airline ticket prices. Visa costs for destination New Zealand have risen substantially. At the same time the International Visitor Levy – levied in visa-required travellers – has risen from \$35 to \$100. [BARNZ submission to this process is available here.](#) The international tourism market would be forgiven for thinking that New Zealand Inc is attempting to disincentivise visitors. BARNZ is very mindful that Airways itself is impacted by this demand challenge, and is well aware of its impact.

Cost estimates for both physical tower and digital contingency appear low

BARNZ notes that the \$40.2m estimated cost of the replacement tower and \$37m for a digital contingency tower represent estimates based on work completed by an external Quantity Surveyor, who has provided assumptions to inform possible costs. Respecting the likely difficulty Airways will have had pulling together possible costs at speed, these assessments seem low, against observed costs in AIAL's construction delivery.

BARNZ anticipates that actual costs of construction are likely to be higher. We request that Airways work to refine costs, and that new assessments are shared with airline customers as they come to hand. BARNZ also requests that updated costs are shared with AIAL and with the Ministry of Transport as they may feed into the Regulated Aeronautical Spatial Undertaking (RASU) of AIAL, as will be set in 2025.

Impact to total pricing is as yet unknown

It is difficult for BARNZ to comment on cost – beyond noting that costs assessed appear low. This is because the capital costs which apply to this project do not include the usual Airways prices, which will be consulted on early in 2025.

BARNZ anticipates that Airways will propose raising prices for its next price period FY26 – FY28. These capital costs will be an overlay to those prices. Given these price increases are unknown, BARNZ requests that ATC Tower Replacement costs be set out as a line item in that future price consultation.

The Airways proposal that allows ATC Tower cost to be borne over three price periods are welcome. BARNZ appreciates that Airways New Zealand is very aware of the challenge New Zealand's aviation system currently faces with demand and cost. Indeed, the flat outlook for air services to New Zealand is additive to the problem New Zealand has of paying for required investment into infrastructure – for Airways and for all other components of the system.

ATC Tower replacement costs increase the burden arising from AIAL capex

Option 1 proposes that costs are spread over three three-year price periods, with the weight of cost falling in the period 2026-2028. Auckland Airport's \$5.9 billion dollar upgrade plan also spreads cost over two five-year price periods, with the weight of capex being commissioned (and therefore priced for) from 2029.

BARNZ absolutely appreciates that Airways New Zealand cannot control Auckland Airport's capital plans, the cost of these, or the timing that cost is delivered to airlines. However, we simply must point out that this additional capex adds cost burden to a system already burdened. That cumulative cost burden is contributing to a demand problem for air services. There has to be a better way to consider application of infrastructure cost to New Zealand's aviation system.

BARNZ suggests that the Ministry of Transport consider the funding model for aviation infrastructure. Even where the user pays model is unchanged it may be that there are policy or regulatory considerations which could overlay the application of costs to aviation. At present, costs are added by one entity after another, with no collective consideration that BARNZ is aware of. The cost model, and the governance of cost, could be considered by the Interim Aviation Council in its workplan in 2025.

The Auckland ATC Tower Replacement is a system problem – which needs a system solution

This submission has been copied to Auckland International Airport Limited, the Civil Aviation Authority and the Ministry of Transport. While the replacement of the Auckland Air Traffic Control Tower is a matter for Airways as asset owner, AIAL, the CAA and the Ministry of Transport are directly or indirectly involved in decisions taken and outcomes delivered.

AIAL is ultimately responsible for the development of aeronautical and commercial buildings on its precinct. It should have been responsible to ensure that the aeronautical functions of its airport are unimpeded by new or varied building plans, and it should bear the cost arising for not having done so. AIAL is the landlord for Airways New Zealand, controlling the lease of the extant tower site and any future tower site, as well as potentially being asset owner for sites for camera mounts to support digital solutions.

Given the regulatory settings of New Zealand's aviation system, AIAL is insulated from the cost burdens arising from its failure to protect the air traffic control assets of Airways. Airlines are now payers for AIAL's integrated terminal which is creating the conflict to sightlines, and payers for the replacement physical tower now urgently required because of that terminal build. This is both unsatisfactory and unjust.

The CAA is regulator of all system participants. While a regulator is not a 'referee', BARNZ asks that the CAA take an interest in the case study that the Auckland Tower Replacement proposals represent. On one level, there is a compliance matter to consider regarding AIAL's compliance or otherwise with Part 139. Looking more deeply, it may be useful to consider whether the existing settings are sufficiently protecting core aeronautical infrastructure.

The Ministry of Transport has policy oversight for aviation connectivity to, from and within New Zealand. It is Secretariat for the Interim Aviation Council, which is tasked with developing the National Aviation Policy Statement (NAPS). The development of the NAPS responds to the Air Navigation Systems Review – commissioned in part to examine the outcomes delivered by Airways New Zealand.

In the Civil Aviation Act 2023 which comes into force in April 2025, the Secretary of Transport is authorised to enter into Regulated Aeronautical Spatial Undertakings (RASUs) with airport companies. RASUs are designed to ensure that border agencies have appropriate space to deliver their services at New Zealand's airports. Ensuring provision of space has sometimes been difficult, leading to congestion at Auckland Airport in particular. RASUs - a new regulatory process - should ensure government

agencies are provided with sufficient footprint to manage the safe arrival and departure of passengers to and from New Zealand.

While Airways New Zealand is not a border agency, it is a critical component of the infrastructure of aviation. Without air traffic control in some form, air movements cannot occur. BARNZ encourages the Ministry of Transport use the RASU process to ensure the needs of Airways New Zealand are considered during RASU development.

The Ministry of Transport is best placed to ensure that our system is functioning well, and that airport developments do not hinder border agency work or the essential air traffic control function of Airways New Zealand. We ask that the Ministry of Transport consider whether the existing regulatory settings are sufficiently protecting core aeronautical services, and whether the downstream costs arising from AIAL's infrastructure decisions are delivering a resilient aviation system supporting economic prosperity.

Open consultation is key

BARNZ considers that open consultation between border agencies, Airways New Zealand, airlines and airports would be hugely beneficial to ensuring best decisions are taken regarding airport development.

Auckland International Airport is currently the only airport which maintains a network of individual non-disclosure agreements with airlines and other parties regarding capital plans. While BARNZ accepts there are commercially sensitive matters to protect, it is possible to protect such information and share capital plans such that operational functions at airports are maintained without short notice re-prioritisation that delivers high opportunity costs to our aviation system. The current siloed consultation processes hampered by AIAL's non-disclosure agreements delivers poor outcomes – such as this urgent replacement of the Auckland ATC Tower.

BARNZ has purposefully included all affected system leaders in this consultation response. We have responded this way because the replacement of the Auckland ATC Tower is a system issue. It is only by operating as a connected system that we will be able to collectively deliver aviation system outcomes New Zealanders deserve.

Yours sincerely

Cath O'Brien
Executive Director
Board of Airline Representatives New Zealand