

Airways Service Framework

We appreciate the opportunity to comment on this consultation.

Aviation NZ is a peak industry body with 300 members across the breadth of the commercial General Aviation industry. Our members include agricultural companies, air operators (fixed wing and rotary), aircraft designers and manufacturers, maintenance repair and overhaul providers, the UAV industry, airports, aviation trainers, tertiary institutions, emergency and medical services companies, helicopter companies, and parts manufacturers.

This submission is made at the general and high level, representing the breadth of our membership. Individual companies may well make submissions that refer to their specific circumstances.

Airways will presumably appreciate that this response is being given at a time when, using the most recent data from CAA:

- Agricultural flight hours in 2020 were 4% down on 2019
- Air operator helicopter flight hours in 2020 were 25% down on 2019

The most recent member sampling from Aviation NZ:

- The outlook for agricultural aviation is ok but air operator activity will continue to be affected by border restrictions and a reluctance by some New Zealanders to fly.
- Much flight training ceased during Covid lockdowns. There are under 300 international students in NZ cf 651 in June 2020 and borders remain closed to new international students.
- Staff have been laid off in many parts of our membership with the most severe drops occurring in flight training where employee numbers have fallen 45% between 1 June 2020 and 31 May 2021.

There are also media reports on the impact of Covid on domestic air operations.

Our membership, while taking advantage of some of the Covid wage subsidies, was reluctant to take up the loans offered because they had little ability to predict future demand, especially those most severely affected by the closed border. A few members received assistance under the Strategic Tourism Assets Protection Fund. In short, companies have had to cut their cloth to meet market conditions.

Covid presents a major challenge for the whole aviation system. The challenge though in funding a fit for purpose aviation system for New Zealand has been building for several years. We have been discussing these challenges with the Ministry of Transport for some time, and raised them with Michael Wood, Minister of Transport, in March. We know that the Ministry of Transport has raised general questions in Government. It is also a topic widely discussed between the various aviation associations.

The fundamental need, from our viewpoint, is to have all industry together with the Government to work out what a future aviation system might look like and determine how it would best be funded. It also needs to take into account the realities of a post-Covid world.

FRAMEWORK ASPECTS

Paragraph 21 of the consultation paper outlines the rationale for the proposals including consideration of “the fitness for purpose of the framework under which we supply services generally, and to address concerns that we have about underlying structural issues that might prevent us from supplying services in the most cost-effective, efficient, and pro-competitive way possible even after the effects of the pandemic have passed, and to make the regime more adaptable and responsive to changes and shocks in the future”.

Paragraph 23 of the consultation paper notes that there are potential impacts from the “reforms”. The Consultation Principle 1 notes “all information regarding current commercial framework, and the proposed changes, will be presented in a transparent, easy-to-understand way”. Without details of the framework’s underlying financial and resource assumptions it is difficult to consider if the proposed framework and pricing reflects the services needed to be provided to the aviation system.

It would be helpful to have an analysis of the proposed framework and changes in comparison to international guidance and in particular:

ICAO Document 9161: Manual on Air Navigation Services Economics Fifth Edition — 2013

ICAO Document 9082: ICAO’s Policies on Charges for Airports and Air Navigation Services

This would ensure the proposed change aligns to international practice.

CONSULTATION QUESTIONS

Consultation Question 1: What role do you see Airways playing in the recovery of the aviation sector, and how can we support you in that process?

This question cannot be answered in isolation. Airways is part of the aviation system and there is a need to answer from a system viewpoint. This also needs political engagement. Our introductory comments are relevant.

Airways provides several services and systems where barriers to entry exist or are essential to the aviation system but are not covered under Section 99 of the Act. These cannot easily be commercially separated and are part of the national air navigation system. Some are aerodrome specific that need to continue to be provided and are essential to aviation system safety but cannot be split easily or a commercial cost recovery used as the proposal discusses e.g. navigation systems, communication systems.

Consultation Question 2: Do you have any comments on our timeline for consultation, and in particular, on the implementation of the new Service Framework?

The consultation document needs further information, data and financials to allow assessment especially as this is a major change from the current state that has been in place for over 20 years, and from our view has not considered all the impacts of such a change. No risk

assessment or change assessment matrix has been provided to identify for industry the impacts and risks.

Consultation Question 3: What objectives do you think should guide the development of our Service and Pricing Frameworks?

We note the references to the exposure draft of the CAA Act to support some of the proposals. From our perspective, it is premature to speculate until the revised Act gets its first reading and we can then see what it contains compared with what was circulated in June 2019.

51 (b) to 51 (e) could form the basis for the development of objectives. Clearly more thought needs to be given as to how competition can be permitted, it is not clear from the proposals.

Consultation Question 4: Do you agree with our proposal to distinguish between contestable services and statutory monopoly services?

The document does not distinguish between contestable services and statutory monopoly services. The only statutory monopoly service is Part 172 for area, enroute and approach services. The document does not outline how the current combined aerodrome control service/procedural approach service will be separated in regard to costs, resources and service provision. We support the potential for new competition but it is not clear from what is proposed, how this might lead to more competition.

Consultation Question 5: Do you support the direct charging to airports for Aerodrome Services? Do you agree that if contestable services and statutory monopoly services are distinguished in the way we have proposed, the former should be excluded from the Pricing Framework?

The consultation document needs to be revised to clearly state the contestable services and statutory monopoly services as detailed above. Additionally, the risks need to be detailed with a proposed transition process. There needs to be greater analysis of where the benefits for change occur.

Conclusion

Given the state of the aviation system, those that manage it and those that participate in it, we believe an industry workshop including Ministry of Transport, CAA, Airways and MetService, along with industry representatives, work through what a fit for purpose aviation system would look like and how it should be funded. We do not see that the current Service Framework consultation should be progressed.