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Tracey Hall
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Dear Ms Hall

Airways Service Framework Review Process and Consultation Paper

Introduction and Summary

Thank you for the opportunity for Christchurch International Airport Limited ("**CIAL**") to respond to Airways' consultation document "Proposed Revised Airways Service Framework (May 2021)" (the **Consultation Paper**).

Air navigation services ("**ANS**") are critical to the safe operation of the aviation system and contribute strongly to New Zealand's economic prosperity. CIAL considers it has a strong interest in the future of ANS and considers it is an important stakeholder in this process.

NZ Airports Association is providing a fulsome response to the Consultation Paper. CIAL has been involved in the preparation of the NZ Airports submission and supports it. In this letter we highlight the issues of central concern to CIAL.

In summary, our principal feedback is that CIAL rejects the suggestion that Airways can choose to charge airports for Aerodrome Air Traffic Management Services or for Aerodrome Visual Navigation Aid Services (the "**Contestable Services**").

Airways cannot unilaterally decide that it will charge airports for these services when airports are not the consumer of the Contestable Services. There is no legal foundation for Airways to charge CIAL for these services and any attempt to do so will be rejected.

The contact person for this response is Lucy Taylor, General Manager Airfield Operations and Corporate Affairs.

CIAL's principal feedback on the Consultation Paper

CIAL's principal feedback on the Consultation Paper is that Airways does not have the unilateral ability to decide that it has different customers for its services. For this reason CIAL rejects the suggestion that Airways might invoice airports for the Contestable Services.

This misunderstanding in the Consultation Paper seems to have two causes. First, it misunderstands the commercial model. Airways is a State-Owned Enterprise, incorporated as a company, and it operates in a commercial context. The Contestable Services provided by Airways are well defined and well understood in the market, having been delivered by Airways and paid for by airlines for three decades. To suggest that Airways can simply decide to now charge an entirely different group of stakeholders for its services misunderstands the commercial model. Airways is not a taxing agency.

Second, the proposal misunderstands the current arrangements at the major aerodromes. CIAL and other major aerodromes are required by the Director under Part 139 of the Civil Aviation Act to "ensure the provision" of air traffic control services. This is not the same thing as an aerodrome consuming those services. Rather, the status quo arrangements include CIAL agreeing that Airways can come onto the aerodrome and operate its business, selling its services to its customers. This agreement is documented, for a consideration of \$1.

In short, the change proposed in the Consultation Paper has no legal foundation, and is inconsistent with several decades of commercial practice.

It is also at odds with the understanding of the Associate Minister for State Owned Enterprises when the government agreed to provide financial support to Airways last year. The Associate Minister recorded in his September 2020 statement of shareholder expectations that the government has provided "Airways with additional equity capital of up to \$70 million to help mitigate issues ... the company was facing, so that it can continue to provide air traffic services to the airlines".

In summary, and to be very clear, CIAL does not agree that it is a consumer of the Contestable Services, there is no agreement for CIAL to pay for these services, and if Airways was to attempt to invoice CIAL for these services that would be rejected.

CIAL stands ready to provide access to Airways to its aerodrome for Airways to provide its services to its customers in the ordinary way. The terms of the access agreement are well understood, the consideration paid by Airways is nominal, and CIAL is prepared to discuss any potential improvements Airways suggests.

A sector wide first principles review of ANS is required

In the Consultation Paper Airways is considering whether there are “underlying structural issues that prevent Airways from supplying services in ways that are more cost efficient and effective”. CIAL are disappointed that Airways has chosen to involve the sector in a dispute about short term funding challenges for Airways, when there are significant strategic issues facing the air safety system as a whole.

CIAL is concerned that Airways has not focussed sufficiently on safety or the wider integrated network in its Consultation Paper and that the changes proposed will fail to solve the complex structural and profitability issues which underpin the Consultation Paper. It is paramount that Airways primary focus must be on the provision of a safe and seamless ANS network.

CIAL strongly proposes that Airways pause this consultation.

CIAL encourages Airways to consult the sector on the strategic issues that it, and the sector, face, and where the air safety system needs to be in 20 years’ time. To go further down the path of the current consultation will pull the sector, the Ministry and the Minister into unnecessary conflict.

CIAL would be happy to discuss the best way to facilitate that sector engagement.

Yours sincerely



Lucy Taylor

GENERAL MANAGER, AIRFIELD OPERATIONS & CORPORATE AFFAIRS

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