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Six Actions to Accelerate Aotearoa's Aviation-enabled Future



Introduction

Aotearoa's geographic isolation, challenging terrain and highly dispersed population make aviation an indispensable lifeline for all New Zealanders. Ensuring its future success relies on decisive actions from the next government.

We know that aviation delivers vital resilience during national disasters and health crises. As the catalogue of extreme weather events through 2022 and 2023 showed, aviation is critical for fast emergency connectivity when disasters strike and land transport corridors fail.

Aviation allows Kiwis to connect with friends and whānau and to enrich their lives through national and international travel, experiences and opportunities.

The economic and social benefits of staying connected to each other and to the global community are delivered by our airports and airline operators. Air transport underpins our key sectors from tourism to freight and supports our place in the world as a modern, outward-looking and accessible country.

But despite Aotearoa's profound reliance on aviation, government policies often overlook the critical role it plays in keeping us safe, prosperous and connected to each other.

We're heading into a period of unparalleled change for the sector, with the first zero-emission domestic flights planned to take off in just three years' time. We know we can achieve an aviation-enabled future with affordable, accessible, and environmentally sustainable transportation. But without the right funding, regulation, and policy settings from government, this future is at risk.

We've identified six actions needed from the next government to support a safe, sustainable and resilient aviation-enabled future for everyone in Aotearoa.

The next government's actions should:

- 1 Grow New Zealand's economy through greater aviation connectivity.
- 2 Set a path for low and zero-emissions aviation for Aotearoa, considering fuel supply and supporting infrastructure.
- 3 Drive forward the recommendations of the Air Navigation System review.
- 4 Elevate customer service performance through better coordination of all government agencies in the aviation system.
- 5 Future-proof airport infrastructure in the resource management system.
- 6 Boost the resilience of the aviation system through the enhancement of onshore fuel stocks.

1

Grow New Zealand's economy through greater aviation connectivity

The critical role of aviation in Aotearoa's economy was highly visible during the COVID-19 pandemic. With the Government's support, the sector continued to import food, medicines and essential supplies, while carrying our valuable exports to world markets.

This role has continued since the border reopened, with New Zealand's international connections supporting the recovery of tourism, freight, business, international education, the return of skilled workers and by reconnecting New Zealanders with friends and whānau.

Attracting and expanding the number of international airlines and routes serving New Zealand is a key driver of future growth in the economy. A single widebody aircraft flying in daily can add \$160m from tourism and \$510m from export cargo to the New Zealand economy every year. These connections are critical for our export sectors to grow and for Kiwis to have access to international products and services. Almost 20% of our imports and exports by value are now carried by air, and 80% of airfreight is carried in the belly-hold of passenger flights.

We still have some way to go to recover New Zealand's international flight capacity. This summer, we expect to have 80-85% of our pre-COVID capacity back. Amidst the ongoing global aviation recovery, we also face intense international competition for airline capacity and visitors. As a long-haul and ultra-long-haul destination, New Zealand needs to reduce costs, cut through inefficiency, and do all we can to be a destination of choice.

To ensure Aotearoa benefits from the recovery of aviation, the next government should:

- Acknowledge the importance of aviation for New Zealand's economic recovery and productivity and ensure this is reflected in its economic, transport and regional economic development policies.
- Continue to support 'open skies' and foster a regulatory environment that incentivises the development of new air transport routes.
- Recognise the highly competitive environment New Zealand operates in as a destination, and ensure government costs, levies and charges for visitors do not increase.
- Back the building of stronger international connections for New Zealanders, including making practical progress on a seamless and secure trans-Tasman border.
- Foster tourism as a key source of GDP growth to support New Zealand's economic prosperity. Tourism directly contributed 5.6% of GDP prior to COVID-19 and visitor flows underpin the viability of flights for Kiwis and airfreight. Tourism is critical for our regions too, fostering \$24.6 billion in spending all around the country.
- Ensure lessons learned from maintaining connectivity during the pandemic are fully entrenched in response plans for future emergencies, to reduce costs and improve the aviation sector's ability to recover.



Set a path for low and zero-emissions aviation for Aotearoa

Decarbonising air transport for passengers and freight is critical for our future and for our international reputation as a responsible and sustainable global player. It's a challenge for the entire economy and affects every New Zealander.

Our airports and airlines are already working hard to decarbonise their operations and plan for a zero-emissions future.

- Airports around New Zealand are decarbonising their infrastructure. Six airports already have formal accreditation in the global benchmark Airport Carbon Accreditation scheme. Christchurch and Hawke's Bay Airports have already reached the highest levels of global accreditation: 'transformation' and 'transition'.
- Air New Zealand has committed to a 2030 interim emissions reduction target of 28.9% and net zero by 2050, based on flight efficiencies, aircraft upgrades and alternative fuels. It plans to commence zero-emissions test flights from 2026.
- The Hydrogen Consortium of Christchurch International Airport, Air New Zealand, Fortescue, Fabrum, Hiringa and Airbus is exploring on the requirements for a green hydrogen supply chain for aviation in New Zealand.

Positive steps have been taken by the government to support these efforts, particularly with the establishment of the government-industry group Sustainable Aviation Aotearoa. However, the urgency and scale of the aviation decarbonisation challenge are not yet being matched with the right level of policy and regulatory attention or funding.

We need the next government to lead the world in sustainable aviation policy and regulation, including an urgent focus on the infrastructure and fuel supply to enable electric and hydrogen domestic flight.

The next three years are critical. The next government should:

Develop and implement a sustainable aviation fuel strategy for New Zealand

As a remote country, New Zealand's connectivity depends on long haul air routes. Sustainably-produced drop-in biofuel or SAF is the primary method for reducing emissions from long haul air travel and marine transport. SAF can directly replace fossil jet fuel without retrofitting aircraft or requiring new airport infrastructure, and can reduce greenhouse gas emissions by up to 80%.

The challenge for New Zealand is to secure supply for our long haul connectivity in competition with the rest of the world. Globally, SAF production is already being secured by airlines with large-scale, long-term contracts, supported by government strategies and enabling policy, including in the US and EU. Demand for SAF will increase exponentially this decade. New Zealand must respond now.

Building on the feasibility studies underway between the government, Air New Zealand and Fortescue Future Industries, the next government should finalise and deliver a clear strategy and policy package to support a SAF supply chain in New Zealand, including sustainability standards for feedstocks used for SAF.

Enable RNZAF at Ohakea to act as operational alternate

The RNZAF base at Ohakea is the best alternate for large jet aircraft bound for Auckland, Christchurch or Wellington. Long haul airlines who nominate Ohakea as their alternate save 8 tonnes of carbon emissions for every service arriving to New Zealand.

For the last year, Ohakea has had insufficient rescue fire resource to provide this carbon-saving service. Airlines unable to nominate Ohakea carry fewer passengers, carry less freight, and burn more carbon than they need to.

Airlines already meet the costs of nomination - the solution lies in resource allocation. Airlines continue to discuss this with RNZAF. Additional rescue fire resources for the base would enable significant carbon reductions and cost savings for air services to New Zealand.

Boost renewable energy targets to support large-scale zero-emission aviation by the 2030s

While SAF is key for long haul flights, zero emissions aircraft technology will provide solutions for shorter domestic and regional flights within New Zealand. Air New Zealand has concrete plans to procure and test this technology from 2026 and Sounds Air is also actively pursuing aircraft options.

The most promising zero emissions technology options, including hydrogen, battery and hybrid technologies, rely on electricity from renewable energy - and a lot of it. Zero carbon SAF can also be created using green hydrogen from renewable electricity.

For this reason, the ability of our domestic aviation sector to decarbonise will depend on how much renewable energy we can generate and deliver to airports.

Transpower's *Whakamana / Te Mauri Hiko - Empowering our Energy Future* strategy predicts that New Zealand's overall decarbonisation will lead to 68% more electricity demand in 2050. However, the modelling in that strategy doesn't yet account for any demand from aviation.

Further work from Transpower, utilising MBIE hydrogen scenarios, suggests electricity demand from aviation (for green hydrogen aircraft and green hydrogen SAF) could reach 62.7 terawatt hours. That's one and a half times New Zealand's current total energy demand.

While more work needs to be done on modelling and phasing this demand, it's clear that zero emissions aviation will require higher renewable energy generation targets in New Zealand than currently planned. The next government should boost renewable energy generation targets and ensure that all relevant players from the energy sector are mobilised to consider the scale of generation investment needed for a zero-carbon aviation sector in New Zealand, along with the transmission upgrades required at airports in each region.

Invest in a green hydrogen strategy for domestic aviation

New Zealand's geography and large proportion of short-range domestic routes make us the perfect market for zero-emission green hydrogen aircraft technology. This has been recognised by the Hydrogen Consortium, which is exploring the practical requirements of green hydrogen for aviation in New Zealand, including airport infrastructure requirements and the potential for airports to serve as hydrogen hubs for land transport.

Despite this, New Zealand's hydrogen policy is falling behind other developed countries. Billions have been committed by governments in Australia, Europe and North America towards hydrogen innovation and supply chains. Australia has invested A\$2 billion to support the development of a green hydrogen industry.

The next government should accelerate its work on a green hydrogen roadmap and strategy to determine an enabling policy, innovation and funding package for hydrogen in New Zealand. New Zealand is already home to innovative engineering expertise for green hydrogen. The risk is that this expertise is harnessed by other countries moving faster to invest and

incentivise their own hydrogen sectors. The next government should move quickly to evaluate the potential for green hydrogen supporting low emission and zero emission aviation fuels to be harnessed strategically in New Zealand, creating jobs and supporting homegrown technology and industry.

Ensure that regulation does not impede progress

In aviation, safety is paramount. We rely on strong and sound regulations to maintain a safe and reliable aviation system.

The next three years are critical for aviation regulation. While airlines are working hard on plans to commence operations of zero-emissions aircraft from 2026, there is a high risk that the development of appropriate regulations for these aircraft will lag behind their ambition.

Airports are likely to wait for clear regulatory standards from the Civil Aviation Authority (CAA) before confirming investment in alternative fuel infrastructure, to avoid the risk of commissioning infrastructure that does not ultimately meet New Zealand civil aviation rules.

The next government should ensure that the Civil Aviation Authority has the resources it needs to generate rules and guidance for new aircraft and alternative fuel infrastructure as a top priority over the next 24 months. While we have welcomed CAA's recent establishment of an Emerging Technologies Unit, we are concerned that its broad remit will not allow it to apply its full resource to decarbonisation technology.

Recognise the need to continue accommodating fossil fuel aviation within carbon budgets due to its challenging nature and significant economic and social impacts

The challenges ahead are significant, and the transition will take time.

Airports and airlines will continue to do everything we can to decarbonise as quickly as technology, SAF supply and renewable energy capacity allows. However, we will need to continue to provide connectivity for New Zealand and maintain a competitive and commercially viable aviation system while doing so. This will mean the ongoing use of fossil fuels, which should be recognised and accounted for in future carbon budgets.



3

Drive forward the recommendations of the Air Navigation System review

The critical importance of aviation to our economy, connectivity and resilience was highlighted by the 2022-23 independent review into New Zealand's air navigation system. The review also highlighted major challenges our aviation system faces over the coming decades which will require new forms of cooperation, governance and funding.

For a future-ready aviation system, we need to ensure the system is well governed, and invested in for resilience.

The review's proposal for an Aviation Council has been universally welcomed as a necessary governance forum for the sector as it moves into a period where growth and disruption will put the system under new pressures.

It is essential we invest in cutting-edge technology and regulations for drones, urban air mobility, zero-emissions aircraft, and digital air traffic control. International partners like the US, Australia, Canada, and the UK have already made significant investments in new systems and research and development to accommodate evolving airspace requirements.

We also need to improve the resilience of our current air transport network. The public good of regional air connectivity is clear during emergencies like Cyclone Gabrielle – but the system is carrying key vulnerabilities:

“Cyclone Gabrielle highlighted the existing vulnerabilities in the system due to underinvestment in regional resilience and redundancy. The immediate breakdown of air navigation, telecommunications and air traffic control services made the emergency management response incredibly challenging. Air transport was critical in the following recovery as already vulnerable road links were (and continue to be) severed.”

– Air Navigation System review

The review highlights the need for a fresh funding approach to tackle the inherent public benefits associated with a fundamental air network that cannot be sustained solely through user fees. Unlike the national road network, there is currently no comprehensive national framework to support crucial aviation infrastructure. Non-commercial airports catering to smaller communities encounter difficulties in maintaining their infrastructure, putting it at risk of deterioration without assistance from ratepayers. Although the Ministry of Transport has previously made efforts to secure a limited amount of central funding, it has not yet achieved success, despite substantial infrastructure investments being made in other transportation sectors.

The review also notes the importance of establishing a shared understanding between government and industry regarding infrastructure service levels and standards. This clarity is vital to prevent commercial decisions in one sector from leaving regions exposed or at a disadvantage. During Covid, State Owned Enterprise Airways proposed to withdraw air navigation services from seven regional airports to save costs. While this plan did not proceed, it should not be possible for a single agency to critical regional services in this way.

We agree with the conclusions of the independent review. The next government should leverage the review as a base for further policy development and engagement on aviation, including:

- Establishing a Ministerially-appointed and chaired Aviation Council for stronger coordination, strategy and governance of aviation for New Zealand.

- Progressing an aviation policy statement to set the strategic direction, investment requirements and service objectives for the aviation system with a focus on improving the efficiency and productivity of the system for New Zealanders.
- Considering funding options to shore up critical infrastructure for the public good where this will not be sufficiently supported through the user pays system. Aviation should be considered with other transport modes as part of the government's National Resilience Plan and infrastructure strategy.
- Taking proactive steps to address the shortfalls of Airways' SOE model, to avoid future conflicts between its commercial model and essential regional connectivity.



4

Elevate airport customer service performance through better coordination across all government agencies in the aviation system

The customer experience at airports is delivered by a range of organisations. Airports, airlines, ground handlers, other commercial service providers, and three government agencies - Aviation Security (AvSec), Customs and Biosecurity NZ - all work together to support customers from their origin to their destination.

The 'customer journey' at airports is only as strong as its weakest link. Each part of the process needs to be sufficiently resourced to avoid bottlenecks.

AvSec and Biosecurity NZ have faced particular challenges in recruiting and rostering staff during 2022 and 2023. Both agencies have taken positive steps to engage with industry on their resourcing challenges. However, long queues have been the subject of frequent customer complaints and media coverage.

Airports and airlines want to see real improvements to the travel experience for New Zealanders and visitors, and we are committed to working in partnership with all participants in the system. We want better ways to support all agencies working at the airport to forecast customer demand, match the right level of resourcing at each airport location, and implement strong customer service measuring and reporting.

The next government should:

- Take an active role in supporting, measuring, monitoring and resourcing customer experience improvements by government agencies.
- Ensure the productivity and efficiency of border processes improves over time.
- Explore options for other parts of the aviation system to pick up aviation security functions where these can be managed more efficiently.
- Ensure regional airports receive border processing capacity to support regional economic development outcomes.



5

Future-proof airport infrastructure in the resource management system

The airport planning process looks 30 years into the future to determine the specific type and capacity of airport infrastructure required to effectively serve growing and changing communities.

Airports cannot remain static as the regions they service grow and change, and aviation technology develops.

Currently, government agencies primarily focus on land transport in their approach to resource management and infrastructure. Within policy agencies we see much less understanding of aviation and how airports work, leading to poor policy and legislative outcomes.

Airports have unique requirements within the resource management system, covering infrastructure development, upgrades, and the management of areas affected by airport operations such as noise buffer zones and flight path lighting and height restrictions. These issues need specific attention when finalising planning standards and rules.

The next government should:

- Ensure that the Infrastructure Commission and Ministries of Transport and Environment acknowledge and address the specific needs of airports within the context of resource management reform. This includes streamlining frequently triggered consent requirements to achieve the efficiency goals of the legislation.
- Uphold the principle of reverse sensitivity in resource management, which recognizes that established activities that generate effects, such as airports, are susceptible to complaints and objections when new activities, particularly residential housing, are located nearby. Good planning practices avoid compromising established activities, particularly for critical infrastructure.
- Acknowledge the pivotal role of infrastructure in achieving New Zealand's environmental goals. Recognize that key infrastructure, including airports, must innovate, invest in new fuel solutions, and adapt to emerging technologies and supply chain requirements in order for New Zealand to get to net zero.
- Maintain a strong focus on policies and standards that accelerate renewable energy generation and transmission, as they are vital for the decarbonization of the aviation sector.
- Give high planning priority to efforts by airports to decarbonize through the development of new alternative fuel infrastructure, including runway and terminal modifications for new aircraft.



6 Boost the resilience of the aviation system through the enhancement of onshore fuel stocks

New Zealand's jet fuel supply is critical to maintaining our air connectivity. Over the past year, there have been three occasions where imported fuel shipments have not met quality standards – resulting in rationing across the network and significant financial and logistical impacts for airlines.

This is a major vulnerability in the New Zealand aviation system. It also puts our reputation with international airlines at risk.

We support the steps the government has taken to introduce Minimum Fuel Stock Holding Obligations for jet fuel suppliers in New Zealand. The next government should ensure this legislation is passed and implemented, and consider further boosting our resilience by:

- increasing the stockholding requirement to 32 days coverage
- ensuring stockholdings are only counted which are onshore and have passed import acceptance testing
- distributing storage requirements across the network including in both the North and South Islands.



New Zealand's prosperity depends on our connectivity

The six actions in this plan can help unleash New Zealand's prosperity and well-being through greater aviation connectivity, help us become a world leader in sustainable aviation, ensure a future-ready air navigation system, make the experience at airports more efficient, and boost the resilience of our airport infrastructure and aviation fuel stocks.

The next government can support an aviation-enabled future that serves as a catalyst for economic growth, environmental responsibility, and improved connectivity for the country. The industry stands ready to work in partnership.

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The New Zealand Airports Association is the industry association for New Zealand's airports and related businesses. It is a not-for-profit organisation whose members operate 46 airports that span the country and enable the essential air transport links between each region of New Zealand and between New Zealand and the world.

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