

OC221035

20 December 2022

Tēnā koe

I refer to your email dated 23 November 2022 requesting the following, under the Official Information Act 1982 (the Act).

I refer to your August 2022 briefings list contained on your website.

Under the Official Information Act, I would like to please request copies of the following briefings. Where possible, I request copies viewed and signed by the minister which include any notes or annotations made.

- OC220663 - *Enabling Continued Air Connectivity- Transfer of the Maintaining International Air Connectivity (MIAC) Underspent funds*
- OC220588 - *Overview of transport planning and funding decision rights*
- OC220630 - *Extension of Air Chathams' and Metservice's Essential Transport Funding Agreements to 31 October 2022*
- OC220633 - *MIAC scheme - request to engage on options for scheme and connectivity management*
- OC220592 - *Advice on Civil Aviation Authority's funding and expenditure intentions*
- OC220688 - *Suggested talking points for your meeting with the CAA Chair and Chief Executive on 9 August 2022*
- OC220685 - *Meeting with Sounds Air 10 August 2022*
- OC220681 - *Attendance by Non-Government Representatives at the International Civil Aviation Organization Assembly*
- OC220720 - *Meeting with Civil Aviation Authority Chair and Chief Executive - 22 August 2022*
- OC220530 - *International Civil Aviation Organization - climate change negotiation mandate*
- OC220761 - *Meeting with Auckland International Airports Chief Executive Carrie Hurihanganui*
- OC220740 - *Meeting with International Air Transport Association*
- OC220734 - *The Civil Aviation Bill- Planning for implementation*

All 13 documents that fall within scope of your request are listed in the document schedule attached as Annex One. The schedule outlines how each document has been treated under the Act. Of the 13, we are releasing 12 with some information withheld or refused and withholding one in full.

Where the Ministry has received a signed copy of a paper back from the Ministers' offices prior to the date your request was received, this signed version has been prepared for you. You will notice that some papers (for example meeting papers) do not have a signature block. While we have checked to see if versions were returned to the Ministry with any comments from Ministers in these cases, please note it is unusual to receive these papers back with any Minister annotations.

Certain information, or full documents have been withheld or refused under the following sections of the Act:

- | | |
|-------------|---|
| 6(a) | as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government |
| 6(b) | as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence |
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information |
| 9(2)(ba)(i) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |
| 18(d) | the information requested is or will soon be publicly available |

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry's website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



 Megan Shields
Acting Manager, Ministerial Services

Annex One - Document Schedule

Doc#	Reference number	Title of Document	Decision on request
1	OC220663	Enabling Continued Air Connectivity- Transfer of the Maintaining International Air Connectivity (MIAC) Underspent funds	Released with some information withheld under Sections 6(a) and 9(2)(b)(ii). <u>Signed version</u> Cabinet paper so no signed version available.
2	OC220588	Overview of transport planning and funding decision rights	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv). <u>Signed version</u> Signed and annotated version is provided.
3	OC220630	Extension of Air Chathams' and Metservice's Essential Transport Funding Agreements to 31 October 2022	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii) and 9(2)(f)(iv). <u>Signed version</u> Signed and annotated version is provided.
4	OC220633	MIAC scheme - request to engage on options for scheme and connectivity management	Withheld in full under Section 9(2)(f)(iv). <u>Signed version</u> N/A
5	OC220592	Advice on Civil Aviation Authority's funding and expenditure intentions	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i). <u>Signed version</u> Signed version is provided.
6	OC220688	Suggested talking points for your meeting with the CAA Chair and Chief Executive on 9 August 2022	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv). <u>Signed version</u> No signature block in paper, so no signed version is available.

7	OC220685	Meeting with Sounds Air 10 August 2022	<p>Released with some information withheld under Sections 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(f)(iv) and 9(2)(g)(i).</p> <p><u>Signed version</u> No signature block in paper, so no signed version is available.</p>
8	OC220681	Attendance by Non-Government Representatives at the International Civil Aviation Organization Assembly	<p>Released with some information withheld under Section 9(2)(a).</p> <p><u>Signed version</u> Signed version is provided.</p>
9	OC220720	Meeting with Civil Aviation Authority Chair and Chief Executive - 22 August 2022	<p>Released with some information withheld under Sections 6(a), 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i).</p> <p><u>Signed version</u> No signature block in paper, so no signed version is available.</p>
10	OC220530	International Civil Aviation Organization - climate change negotiation mandate	<p>Released with some information withheld under Sections 6(a), 6(b) and 9(2)(a).</p> <p>Cabinet paper attachment is refused in full under Section 18(d) as the final version is publicly available at:</p> <p>www.transport.govt.nz/assets/Uploads/REDACTED-OC220530 International Civil Aviation Organisation - Climate Change Negotiation Mandate - Cabinet Paper-10-1 Redacted.pdf</p> <p>While we note the Cabinet paper originally attached to this paper was a draft, we believe the final published version satisfies the public interest test and intention of the Act.</p> <p><u>Signed version</u> A signed version has not been located, therefore the Ministry-only signed version is provided.</p>

11	OC220761	Meeting with Auckland International Airports Chief Executive Carrie Hurihanganui	Released with some information withheld under Sections 6(a), 9(2)(a) and 9(2)(f)(iv). <u>Signed version</u> No signature block in paper, so no signed version is available.
12	OC220740	Meeting with International Air Transport Association	Released with some information withheld under Section 9(2)(a), 9(2)(b)(ii) and 9(2)(g)(i). <u>Signed version</u> No signature block in paper, so no signed version is available.
13	OC220734	The Civil Aviation Bill- Planning for implementation	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv). <u>Signed version</u> Signed and annotated version is provided.

COMMERCIAL IN CONFIDENCE

Commercial in Confidence

Office of the Minister of Transport

Cabinet Economic Development Committee

Enabling continued air connectivity - use of the Maintaining International Air Connectivity (MIAC) underspent funds**Proposal**

- 1 I am seeking Cabinet approval for underspent funds from the previous phase of the Maintaining International Air Connectivity (MIAC) scheme to be used to support the final extension phase of the scheme, if required.

Relation to government priorities

- 2 This proposal outlines a technical adjustment to funding previously approved by Cabinet. The proposal supports the Government's economic response to COVID-19 through its efforts to cushion the financial blow to whānau and families, workers, businesses, and communities from the impacts of COVID-19, position New Zealand for recovery, and reset and rebuild our economy.

Background

- 3 In March 2021, Cabinet agreed to establish the MIAC scheme to support international air connectivity, after the expiry of the International Air Freight Capacity (IAFC) scheme [CAB-21-MIN-0063 refers]. The Ministry of Transport delivers the MIAC scheme.

- 4 The MIAC scheme is market-led. ^{s 9(2)(b)(i)} [REDACTED] Recipients then offer air services to freight customers and passengers on commercial terms. The design of the MIAC scheme means that as passenger demand (and therefore revenue) increases, the level of support required decreases.

- 5 Through the MIAC scheme, support has been provided for nine carriers to operate flights to 24 international destinations. As at June 2022, the delivery of the MIAC scheme has enabled 144,748 tonnes of freight to travel on 7,216 supported flights. The freight carried on these flights is estimated to have a value of \$11.5 billion.

- 6 Funding for the scheme has been provided in phases. Two phases have been completed, the first from 31 May 2021 to 31 October 2021 and the second from 1 November 2021 to 31 March 2022.

- 7 In early March 2022, Cabinet agreed to a final extension to the MIAC scheme, from 1 April 2022 to 31 March 2023. This final extension provides sufficient time for market and passenger recovery on critical routes, while maintaining a minimum level of connectivity.

- 8 To support the final extension period Cabinet agreed to fund \$250 million for the operation of MIAC scheme until its expiry [CAB-22-MIN-0055.02 refers].

- 9 ^{s 9(2)(b)(ii)} [REDACTED]

s 9(2)(b)(ii)

The MIAC scheme has a fixed budget, but dynamic costs

10

s 9(2)(b)(ii)

11

As the cost of operating flights increases (without a corresponding increase in revenue), the level of support required to carriers on each supported route increases, up to the maximum cap agreed by the Ministry of Transport.

12

s 9(2)(b)(ii)

13

During 2022 there have been sustained and significant rises in the price of jet fuel. At present, the applicable jet fuel price has settled around NZD\$220/barrel, which is significantly higher than the price when the MIAC scheme exit strategy was being considered, which was around NZD\$155/barrel.

14

s 9(2)(b)(ii)

Passenger recovery has been better than expected, but not enough to offset the fuel price increases

15

Passenger demand has been stronger than expected in several key routes (most notably the trans-Tasman and North America routes) – strong demand leads to greater revenue for carriers, which reduces, often to nil, the amount of support payable. Where carriers have not needed support for four weeks, on-going support is suspended from the MIAC scheme.

16

s 6(a)

17

s 9(2)(b)(ii)

Allowing the use of previously underspent funds will ensure critical connectivity is maintained for much longer

18 One consequence of the structure of the MIAC scheme agreements (where revenue earned by carriers often reduces support requirements below the maximum agreed amounts) is that the scheme typically has an amount of underspent funds remaining at the end of each phase.

19 Cabinet approval of MIAC scheme funding does not by default allow the use of underspent funds in subsequent phases. The funds are retained in the multi-year appropriation.

20 At the end of the previous MIAC scheme period (1 November 2021 to 31 March 2022), the underspent funds from that phase totalled \$47 million.

21 s 9(2)(b)(ii) [REDACTED] I recommend that Cabinet agree that the underspent funds from the previous phase of the MIAC scheme can be used for services from 1 April 2022 to 31 March 2023, under the final extension of the MIAC scheme.

22 This does not require any changes to appropriations or new funding.

23 I consider that, given the underspend of funds occurred in the course of achieving the Cabinet agreed MIAC scheme objectives during the previous period, allowing the use of the underspent funds in the final extension will support those same objectives to continue to be met in the much more volatile cost environment.

24 Allowing the use of the previously underspent funds is expected to allow the MIAC scheme to continue providing support s 9(2)(b)(ii) [REDACTED]

25 Funding will only be used to the extent it is needed. Under the MIAC scheme, s 9(2)(b)(ii) [REDACTED] Any underspent funds from the final extension period will be transferred back to the centre.

Financial Implications

26 This is a technical adjustment which does not require Cabinet to allocate any new funding or move funding between appropriations or financial years.

27 The final spend for the previous period of the MIAC scheme, 1 November 2021 to 31 March 2022 has been confirmed. There is \$47 million in underspent funds remaining against the total funding of \$240 million, which included \$220 million funding plus \$20 million in underspent funds from the prior phase.

28 This approach is in line with previous adjustments made to the MIAC scheme, including a similar approval to use underspent funds following the previous period (i.e. 1 May 2021 to 1 November 2021) [CAB-22-MIN-0002 refers].

Legislative Implications

29 There are no legislative implications.

Regulatory Impact Statement

- 30 No Regulatory Impact Statement is required as this proposal does not introduce or change any legislation.

Climate Implications of Policy Assessment

- 31 A Climate Implications of Policy Assessment (CIPA) has not been prepared for this paper. The MIAC scheme provides financial support for fossil fuel intensive international air transport, which creates greenhouse gas emissions. However, following consultation with the Ministry for the Environment, as the MIAC scheme has a small impact on domestic aviation emissions, it is not considered to meet the threshold for consideration under CIPA requirements.

Population Implications

- 32 Changes to New Zealand's international air connectivity could affect Māori, and rural and coastal communities in particular. 80% of New Zealand's air freight exports (by volume) are primary sector products. A number of iwi have their largest investments in primary industries and tourism, so have been particularly exposed to the collapse in air services caused by COVID-19. The purpose driven business model of many Māori enterprises that includes financial performance and whanau wellbeing means that air service disruption could have wide ranging knock-on effects for the Māori community.
- 33 Rural and coastal communities, and some regions, could be affected because the local economies in those areas are concentrated on the production of goods and services for export by air e.g. fishing communities, or horticulture in the Auckland region, and international tourism in parts of Otago and the West Coast. Constraints on the ability to export products in the immediate-term, or for recovery in the medium-term could reduce incomes and lead to job losses in those areas.

Human Rights

- 34 There are no implications for human rights.

Consultation

- 35 The Treasury was consulted on this paper.

Communications

- 36 I do not intend to make any public announcements of this adjustment. The Ministry of Transport will advise directly affected parties as necessary.

Proactive Release

- 37 Not proposed due to the discussion of matters which are commercially sensitive, and sensitive to New Zealand's international relations.

Recommendations

I recommend that the Committee:

- 1 **note** that In March 2021, Cabinet agreed to establish a new scheme (the Maintaining International Air Connectivity scheme) to support international air connectivity after the expiry of the International Air Freight Capacity (IAFC) scheme [CAB-21-MIN-0063].

- 2 **note** that in March 2022, Cabinet agreed to extend the Maintaining International Air Connectivity scheme to 31 March 2023, to ensure ongoing connectivity as New Zealand opened to the world. Over this period the scheme support will be scaled back and ended as passengers and airlines return. Cabinet allocated \$250 million in funding for the period of 1 April 2022 to 31 March 2023 [CAB-22-MIN-0055.02 refers].
- 3 **note** that due to the increases in fuel prices during the final extension period of the Maintaining International Air Connectivity scheme, ^{s 9(2)(b)(ii)} [REDACTED]
- 4 **note** that the Ministry of Transport has advised there is an underspend of \$47 million from the previous Maintaining International Air Connectivity scheme phase (1 November 2021 to 31 March 2022).
- 5 **agree** that the Maintaining International Air Connectivity scheme underspend of \$47 million from the scheme budget for the period 1 November 2021 to 31 March 2022 can be utilised in the 1 April 2022 to 31 March 2023 period.

Authorised for lodgement

Hon Michael Wood

Minister for Transport

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IN CONFIDENCE



2 August 2022

OC220588

Hon Kieran McAnulty

Associate Minister of Transport

OVERVIEW OF TRANSPORT PLANNING AND FUNDING DECISION RIGHTS

Purpose

To provide you with information on the transport sector's planning and funding environment, the decision rights shared by Waka Kotahi and the Crown, and the work underway to determine future planning and funding settings.

Key points

- The National Land Transport Fund (NLTF) and the National Land Transport Programme (NLTP) are the main mechanisms through which Waka Kotahi NZTA (Waka Kotahi) plans, prioritises, and funds the delivery of most land transport projects. This model enables Waka Kotahi, over a three-year period, to provide funding certainty to the transport sector and local authorities that give effect to government priorities, as detailed in the Government Policy Statement on Land Transport (GPS).
- The Crown also has the flexibility to directly invest in transport to achieve broader outcomes such as regional economic development, bring forward implementation of high priority transport projects, or fund significant projects where the scale of funding exceeds what can reasonably be expected from the NLTF and local contributions.
- There are opportunities to improve planning and funding settings in future. This includes strengthening the use of long-term planning tools to ensure investment choices take account of future benefits, and addressing the sustainability of transport funding mechanisms such as the NLTF and revenue raising approaches for transport regulators.

Recommendations

We recommend you:

- 1 **note** that decision rights for investment in transport lie with both Waka Kotahi and the Crown
- 2 **indicate** if you would like Ministry officials to provide further information on any aspect of transport's planning and funding settings

YES / NO

IN CONFIDENCE



3 indicate if you would like to meet with Ministry officials to discuss transport's planning and funding settings

YES / NO



Tim Herbert
Manager, Investment

....2 /8 /22



Hon Kieran McNulty
Associate Minister of Transport

7 / 8 / 22

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

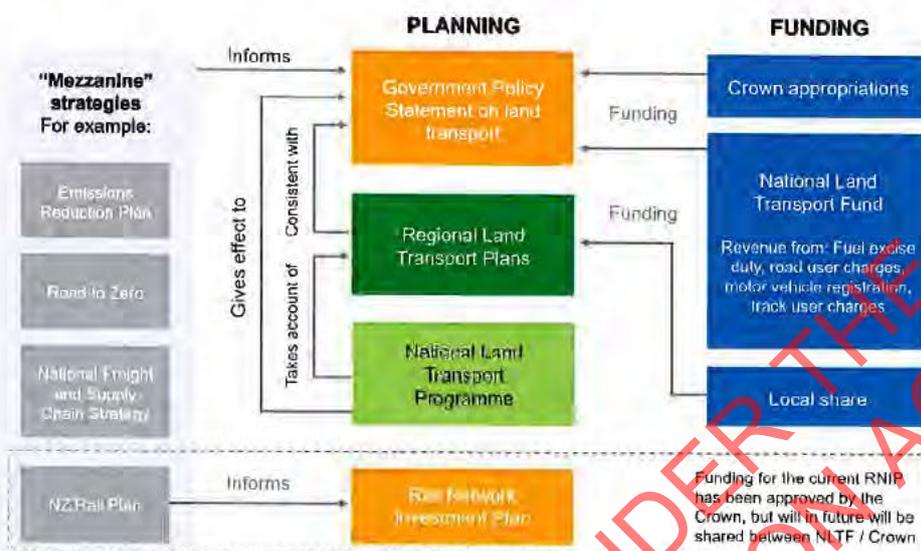
Contacts

Name	Telephone	First contact
Tim Herbert, Manager, Investment	9(2)(a)	✓
Jess Edlin, Senior Adviser, Investment		

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OVERVIEW OF TRANSPORT PLANNING AND FUNDING DECISION RIGHTS

Current planning and funding settings



Government Policy Statement on Land Transport (GPS)

- 1 The GPS is a statement of the government's land transport investment strategy, including how expenditure from the NLTF will contribute to achieving overall government outcomes. It outlines the government's strategy to guide national and regional land transport investment over the next 10 years and provides guidance to decision-makers about where and under what conditions government will focus its resources. The GPS is informed by medium-term "mezzanine" strategies that provide detail on the government's priorities for specific topics related to transport, such as emissions reduction, road safety, or rail etc.
- 2 Each GPS is agreed by government and released to approved organisations (local authorities, regional councils, and any other approved public organisation listed in the Land Management Transport Act 2003) one year before it comes into effect. This provides time for approved organisations to develop Regional Land Transport Plans that are consistent with GPS priorities. See Annex 1 for more information on the GPS lifecycle.

Regional Land Transport Plans (RLTP)

- 3 An RLTP must contain activities proposed by approved organisations relating to local road maintenance, renewals, minor capital works, and public transport services. In the case of Auckland, these activities are proposed by Auckland Transport which combines the transport functions of the eight former local and regional councils and the Auckland Regional Transport Authority.
- 4 Regional Transport Committees / Auckland Transport publicly consult on draft RLTPs, particularly as agreed transport projects may have an impact on rates for the region.



National Land Transport Plan (NLTP)

- 5 Once RLTPs have been agreed, Waka Kotahi develops the NLTP which is a three-year programme that provides a formal record of prioritised national and regional transport projects (informed by RLTPs) to support transport needs and achieve the priorities of the GPS.
- 6 The NLTP outlines how all sources of transport funding will be utilised to deliver projects, including NLTF funding approved by Waka Kotahi, Crown contributions, and the local share expected from the regions and local authorities.

Investment in transport through the National Land Transport Fund

- 7 The NLTF is a hypothecated fund that uses revenue collected from transport activities such as fuel excise duty (FED), road user charges (RUC), registration and licensing to invest in maintenance of, and improvements to, the land transport network.
- 8 Waka Kotahi administers the NLTF, making choices about how funding will be distributed between major spending categories in the GPS (and in line with the funding thresholds for each spending category) to give effect to the government's priorities and deliver on local transport needs, as described in RLTPs. Major spending categories include public transport services / infrastructure, walking and cycling improvements, local road maintenance and improvements, state highway maintenance and improvements, coastal shipping, rail network, and Road to Zero.
- 9 The current NLTP approves funding of approximately \$4.5-\$5 billion per annum from the NLTF to fund transport activities.

Crown investment in transport

- 10 In addition to NLTF funding administered by Waka Kotahi, the Crown also directly invests in transport outcomes. For example:
 - 10.1 **NZ Upgrade Programme (NZUP)**. NZUP is a \$12 billion programme of investment to modernise New Zealand's infrastructure. Transport has been the largest beneficiary of this programme with \$6.8 billion allocated to invest in road, rail, public transport, and walking and cycling infrastructure to future-proof the economy, get our cities moving, and make our roads safer. An additional \$1.9 billion was allocated in 2021 to ensure transport could continue to deliver key NZUP initiatives in light of increasing construction costs due to COVID-19.
 - 10.2 **Provincial Growth Fund (PGF)**. The PGF has invested \$3 billion over three years in projects intended to raise the productivity potential of regional New Zealand. Over \$600 million was committed to transport agencies to invest in road, rail, coastal assets, and upgrades to regional airports.
 - 10.3 **Climate Emergency Response Fund (CERF)**. The CERF supports emissions reductions activities, particularly those identified in the Government's Emissions Reduction Plan. Transport received \$1.3 billion in Budget 22 to progress initiatives that encourage greater uptake of low emissions vehicles, support people to use public and active transport modes, and begin work to decarbonise heavy transport and freight.

- 10.4 **Section 9.** Section 9 of the Land Transport Management Act 2003 allows the Crown to utilise approximately \$30 million of land transport revenue from the NLTF to fund certain activities, such as search and rescue or recreational boating activities, as approved by the Ministers of Transport and Finance.
- 10.5 **Rail Network Investment Programme (RNIP).** In 2021 the Minister of Transport approved the first RNIP which sets out maintenance, management, renewal and improvement work for the national rail network over the next three years. This investment programme was funded through \$834 million in Crown contributions to the NLTF from Budgets 20 and 21, but in future is expected to be funded through both Crown and NLTF contributions. Track user charges will be implemented to increase NLTF revenue and ensure rail users contribute to investments in the rail network.
- 11 There are several reasons why the Crown may choose to invest in transport outcomes through means other than using the NLTF, including:
- 11.1 when the government wishes to invest in projects to achieve broader outcomes (such as the PGF where transport is being used as a lead investment in regional economic development)
 - 11.2 when Ministers want greater control of project delivery (such as the NZUP which brings forward implementation of high priority transport projects)
 - 11.3 when the scale of investment requires Crown funding. Mega projects such as Auckland Light Rail require more investment that can feasibly be expected from the NLTF and local share from Auckland Transport alone.

Work is underway to determine how best to plan and fund transport investments in future

Generational Investment Approach (GIA)

- 12 System planning, as it is currently set up, has a short- to medium-term focus. However, most transport projects have long-term consequences, and their benefits may not be realised until well into the future.
- 13 The Ministry has developed a GIA which is the first transport-wide framework for making long-term choices. Through the use of data, scenario modelling and prioritisation tools, the GIA seeks to anticipate how future generations may live and move around (including changes in the environment, technology and society). The intent is for the GIA to inform the transport choices that are currently available to government that will deliver the greatest benefits over the next 30-50 years.
- 14 It is anticipated that in time the GIA will enable the GPS to signal how the transport sector will use all available funding and financing levers to invest in short-, medium-, and longer-term government priorities for transport, providing greater certainty about the infrastructure pipeline and enabling earlier starts on the most important initiatives.

Land Transport Revenue Review



- 15 Concerns have been raised about the sustainability of the NLTF as there is an imbalance between revenue coming into the NLTF and expectations on expenditure.
- 16 In August 2021, the Minister of Transport and Minister of Finance agreed to provide a \$2 billion loan facility to Waka Kotahi as existing NLTF revenue settings would not be sufficient to deliver on GPS 2021 priorities and commitments (T2021/2088 / OC210673 refers).
- 17 The Ministry of Transport, Waka Kotahi and the Treasury have been tasked with undertaking a Land Transport Revenue Review (LTRR) that considers options to improve the short- to medium-term sustainability of the NLTF, including repayment of the \$2 billion loan facility, until further work on the Future of the Revenue System is undertaken. § 9(2)(1)(iv)

§ 9(2)(1)(iv)

- 18 § 9(2)(1)(iv)

Future of the Revenue System

- 19 Alongside the Land Transport Revenue Review, the Ministry of Transport is undertaking work on the Future of the Revenue System which will explore broader options to improve the long-term sustainability of the NLTF as a mechanism for investing in land transport. First advice on this work will be presented to Ministers in mid-2023.

Transport regulators

- 20 Most of the funding for the transport regulatory agencies (Civil Aviation Authority, Maritime NZ and Waka Kotahi) comes from third party levies, fees and charges. However, COVID-19 has had a major impact on the revenue of these entities, as border restrictions and other public health measures have resulted in significant reductions in passenger revenue.
- 21 Funding methods for transport regulatory agencies are being reviewed in light of COVID-19, particularly given that recovery will take some time and regulatory functions must continue to be carried out.

Next steps

- 22 The Ministry will continue to progress the work programmes mentioned above and ensure proposed changes are made transparent. We are also available to meet with you or to provide further information should you have interest in additional advice on transport planning and funding decision rights.



ANNEX 1

The GPS lifecycle



- 23 When we talk about the GPS lifecycle, we are referring to the circular relationship between the development, implementation, and evaluation of a GPS. The key thing to note from this diagram is that the insights from each stage feed into the next (especially the evaluation of an expiring GPS into the development of the new GPS).
- 24 The diagram above assumes that a GPS is produced every three years. This is because even though the Land Transport Management Act 2003 requires a new GPS to be published every six years, with a review of the Crown's land transport investment strategy after three years, the three-year review has always resulted in a new GPS being published. However, there would be circumstances in which a light-touch approach would be appropriate, as frequent amendments limit Waka Kotahi's ability to provide certainty, and major changes can delay and disrupt delivery on the ground.

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Is there evaluation of the impact of these decisions on rural and regional areas?

COMMERCIAL IN CONFIDENCE



3 August 2022

OC220630

Hon Kieran McAnulty

Action required by:

Associate Minister of Transport

Wednesday, 10 August 2022

Hon David Parker

Associate Minister of Finance

EXTENSION OF AIR CHATHAMS' AND METSERVICE'S ESSENTIAL TRANSPORT CONNECTIVITY FUNDING AGREEMENTS TO 31 OCTOBER 2022

Purpose

This briefing seeks your agreement to extend Essential transport Connectivity (ETC) support for Air Chathams and the Meteorological Service of New Zealand (MetService) to 31 October 2022.

Key points

- The ETC scheme has been in place since May 2020 and provides support to transport operators to ensure essential transport services continue to operate while managing the short-term fall-out from COVID-19.
- Under the delegation arrangements for the scheme, the Ministry is authorised to enter into extensions of contracts that are worth under \$500,000 per contract extension. Any extensions that exceed this amount require Ministerial approval. The Ministry also seeks Minister's approval where an extension is unique in terms of its ETC contract, which is the case for the MetService contract.
- The Ministry recommends that Ministers agree to extend MetService's contract to 31 October 2022 (the current end date of the ETC scheme). The maximum funding amount over the extension period will be ^{s 9(2)(b)(i)} [REDACTED]
- This extension will enable time for flight volumes to increase as New Zealand's international air travel sector ramps up, ^{s 9(2)(b)(ii)} [REDACTED]. The Ministry will closely monitor flight volumes and MetService's ETC claims over this period.
- The Ministry recommends that Ministers agree to extend Air Chatham's ETC contract to 31 October 2022, with an increased maximum funding amount of ^{s 9(2)(b)(ii)} [REDACTED]

COMMERCIAL IN CONFIDENCE

- § 9(2)(b)(ii) [Redacted]
- This extension will allow more time for passenger demand to recover. § 9(2)(b)(ii) [Redacted]
- § 9(2)(b)(ii) [Redacted]
- The maximum amount of this § 9(2)(b)(ii) [Redacted] (including the extension to 31 October 2022).

Recommendations

We recommend you:

- 1 **agree** to extend MetService's ETC funding agreement from 1 July 2022 to 31 October 2022, with a maximum funding amount of § 9(2)(b)(ii) [Redacted] Yes / ~~No~~
- 2 **agree** to extend Air Chatham's ETC funding agreement from 1 August 2022 to 31 October 2022, with a maximum funding amount of § 9(2)(b)(ii) [Redacted]

Discuss

 Yes / ~~No~~
- 3 **agree** to § 9(2)(b)(ii) [Redacted] Yes / ~~No~~

s 9(2)(b)(ii) (including the extension to 31 October in recommendation 2 above).

Fleur D'Souza
Manager, Programme Assurance and Commercial

3... /08... /2022

Note: Hon Michael Wood's signature

Hon Kieran McAnulty
Associate Minister of Transport

9... / 08... / 22

Hon David Parker
Associate Minister of Finance

22... / 08... / 22

- Minister's office to complete:
- Approved
 - Declined
 - Seen by Minister
 - Not seen by Minister
 - Overtaken by events

Comments Note: Hon Michael Wood's comment

s 9(2)(b)(ii)

Contacts

Name	Telephone	First contact
Hayden Berkers, Acting Principal Adviser, Programme Assurance and Commercial	s 9(2)(a)	✓
Tom Gillard, Graduate Adviser, Programme Assurance and Commercial		

EXTENSION OF AIR CHATHAMS' AND METSERVICE'S ESSENTIAL TRANSPORT CONNECTIVITY FUNDING AGREEMENTS TO 31 OCTOBER 2022

Background

The ETC scheme ensures essential connections are maintained

- 1 On 11 May 2020, Cabinet agreed to a framework for assessing where additional financial support for transport operators (aviation and non-aviation) might be appropriate beyond the Government's general economic support measures for recovery and response in relation to the COVID-19 pandemic. The focus was on maintaining "essential transport connectivity", rather than supporting individual businesses to survive [CAB-20-MIN-0219.28]. This framework subsequently became the ETC scheme.
- 2 The ETC scheme provides support to maintain essential transport connectivity for COVID-19 response and recovery. It enables the government to respond quickly, on a case-by-case basis, where the failure of a transport service would have significant negative social and economic outcomes and would impact New Zealand's post-COVID resilience and recovery. Typically, this involves support arrangements where the Ministry 'tops-up' the revenue operators earn from essential services to break-even to ensure those services are maintained.
- 3 The scheme has a total funding pool of \$25.7m of which 84% (\$21.7 million¹) has been allocated to date. This support has enabled ~226,000 passengers to undertake travel on ~16,500 services which otherwise might not have been available. It has also helped essential aviation forecasting services to continue, and for essential goods and services to continue to flow to the Chatham Islands.

The ETC scheme is now in its exit phase

- 4 The ETC scheme has received multiple extensions since it began operating in May 2020. On 19 April 2022, Cabinet considered the exit approach for the ETC scheme which resulted in the extension of the scheme to 30 June 2022, with delegated authority to Joint Ministers (the Minister of Finance, Minister of Transport, Associate Minister of Finance (Hon David Parker), and the Minister of Economic and Regional Development) to consider a final extension of the scheme to 31 October 2022 [CAB-22-MIN-0141 refers].
- 5 This Cabinet decision also closed the ETC scheme to further applications on 1 May 2022. Operators who had previously engaged with officials were made aware of the closure, and the Ministry received one application immediately prior to the closing date. This application is still being assessed and we will update Ministers on the outcome of the application in the coming weeks.

¹ \$3,475 million has been transferred from the ETC appropriation for initiatives deemed outside the scope of the ETC such as payment of a missed International Airfreight Capacity invoice (\$300,000) and \$3.175 million to facilitate Milford/Piopiotaahi Aerodrome's ongoing operation; [OC211021 & OC210863 refer]

- 6 On 17 June 2022, joint Ministers (the Minister of Finance, Minister of Transport, Associate Minister of Finance (Hon David Parker), and the Minister of Economic and Regional Development) agreed to extend the ETC for a final time to 31 October 2022 [OC220454 refers]. This extension enables supported operators to 'ride out' the low demand period of winter and reach the peak summer trading period. The Ministry expects that by 31 October 2022, most ETC operators will no longer require government support and will be able to return to normal commercial operations.
- 7 Under the delegation arrangements for the scheme, the Ministry is authorised to enter into contracts under \$500,000 per contract extension. Any extensions that exceed this amount requires Ministerial approval. The Ministry also seeks Ministers approval where an extension is unique in terms of its ETC contract, which is the case for the MetService contract as below.

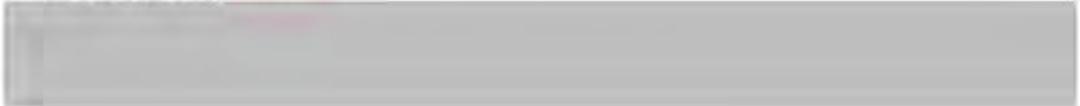
Part 1: Rationale for further ETC support to be provided to MetService

MetService has been receiving ETC support for its essential aviation forecasting services since January 2021

- 8 The MetService is New Zealand's national weather authority. In addition to the data and forecasting services it provides to the general public and businesses, it also provides specialist aviation weather forecasting services. These services are essential to the continued operation of New Zealand's aviation sector.
- 9 The aviation weather forecasting services are provided on behalf of the Civil Aviation Authority (CAA) and enable New Zealand to meet its weather services' obligations to the International Civil Aviation Organization (ICAO). The services also ensure that domestic operators have access to sufficient weather information to meet flight safety requirements under the relevant Civil Aviation Rules (CAR). If MetService was to stop providing its services, flights would be unable to operate without compromising safety and breaching CAA regulations and ICAO requirements.

10 § 9(2)(b)(ii)


- 11 While domestic aviation has recovered well, international aviation remains significantly below pre-COVID-19 levels. Pre-COVID-19 approximately 550 international flights operated into New Zealand each week. Currently, the number of international flights varies significantly but usually averages 350 per week. The Ministry expects that flights will continue to increase in the coming months as airlines expand services (or return to the New Zealand market), § 9(2)(b)(ii)


- 12 In the meantime, § 9(2)(b)(i)


Under direction from Ministers, s.9(2)(b)(ii)

- 13 MetService has undertaken a number of internal actions and cost saving measures over the course of the pandemic to reduce costs and return to commercial viability. These include:

s.9(2)(b)(ii)

- 14 However, as the pandemic has continued, a number of the measures above have had to be scaled back. Therefore, when Ministers approved the initial ETC funding agreement with MetService on 10 June 2021², s.9(2)(b)(ii)

s.9(2)(b)(ii)

- 15 s.9(2)(b)(ii)
- 16
- 17

s.9(2)(b)(ii)

- 18 s.9(2)(b)(ii)

- 19 s.9(2)(b)(ii)

These negotiations are ongoing; the Ministry will continue to monitor the progress of these negotiations and provide Ministers with an update in the coming months.

² This agreement was back-dated to January 2021

20 BARNZ recently shared with Transport officials that they expect international passenger travel will return to about 55 per cent of pre-COVID levels before the end of 2022. This is based on current airline commitments. Capacity is expected to increase further into the Northern Hemisphere winter season with the return of North American carriers to New Zealand. Based on the evidence above, the Ministry considers there is a possibility that ^{§ 9(2)(b)(ii)}

[REDACTED]

21 ^{§ 9(2)(b)(ii)}

[REDACTED]

The Ministry recommends an extension of MetService ETC funding, but the Ministry will closely monitor flight volumes and ETC claims over the extension period

22 On 8 June 2022, when joint Ministers last agreed to extend MetService's ETC contract, joint Ministers also ^{§ 9(2)(b)(ii)}
[OC22044 refers]. ^{§ 9(2)(b)(ii)}

[REDACTED]

23 As stated above, there are strong indicators that New Zealand's aviation sector is beginning to return to pre-COVID levels. This in the medium term ^{§ 9(2)(b)(ii)}

[REDACTED]

24 ^{§ 9(2)(b)(ii)}

[REDACTED]

25 As of 30 June 2022, MetService has received ^{§ 9(2)(b)(ii)}

[REDACTED]

The Ministry will monitor flight volumes and MetService's ETC claims over this period and seek to exit support when reasonable.

26 ^{§ 9(2)(b)(ii)}

[REDACTED]

As such, there is no risk that support is paid for longer than required, as the ETC scheme receives the benefit if conditions improve.

Part 2: Rationale for further ETC support to be provided to Air Chathams

Air Chathams has been receiving ETC support since July 2020

27 Air Chathams is the sole provider of flights between the Chatham Islands and mainland New Zealand (Wellington, Christchurch, and Auckland), and key regional routes between Auckland and Whakatāne, Whanganui and the Kāpiti Coast (Paraparaumu).

28 Since 29 June 2020, Air Chathams has been supported by the ETC, which has been critical in ensuring that supplies continue to reach the Chatham Islands and that passenger connectivity through mainland New Zealand is maintained. The mainland network of Air Chathams serves two purposes: it offers vital transportation connections and it cross-subsidises Chatham Island flights (in pre-COVID times). There are no other operators providing comparable services.

29 Under the agreement, § 9(2)(b)(iii) [Redacted]

30 § 9(2)(b)(ii) [Redacted]

§ 9(2)(b)(ii) [Redacted]

31 § 9(2)(b)(ii) [Redacted]

The average amount of support paid is § 9(2)(b)(ii) [Redacted]. For comparison, the average price of a ticket to the Chatham Islands is ~\$450-580 each way, or \$160-300 for the mainland services from Auckland. This air connectivity with the Chathams is also critical for the supply of fresh food and other essential air freight goods (such as medicines).

32 § 9(2)(b)(ii) [Redacted]

33 [Redacted]

§ 9(2)(b)(i)

34

§ 9(2)(b)(ii) Air Chatham's current operating and financial position, has achieved some success in § 9(2)(b)(ii)

§ 9(2)(b)(ii)

35

Air Chathams have provided the Ministry with a range of financial information and forecasts § 9(2)(b)(ii)

Such an outcome would be counter to the ETC scheme's policy objective of maintaining essential connectivity.

The Ministry recommends an extension of Air Chathams' ETC funding § 9(2)(b)(ii)

36

§ 9(2)(b)(ii)

The Ministry expects that over the next few months, tourism recovery will positively impact demand. § 9(2)(b)(ii)

§ 9(2)(b)(ii)

37

The Ministry has previously highlighted § 9(2)(b)(ii)

§ 9(2)(b)(iv)

38

The Ministry recommends that Ministers agree to extend Air Chathams' ETC funding agreement term to 31 October 2022, with an increased maximum funding amount of § 9(2)(b)(ii)

This extension will allow more time for passenger demand to recover.

39

Additionally, an extension with § 9(2)(b)(ii), § 9(2)(i)(iv)

§ 9(2)(b)(ii)

The Ministry considers that § 9(2)(b)(ii)

40

§ 9(2)(b)(ii)

s 9(2)(b)(ii)

which is

supported by the reports received by the Ministry.

41 The Ministry consider this approach is consistent with the intent of the ETC, given the

s 9(2)(b)(ii)

42 The maximum amount of the recommended s 9(2)(b)(ii)

~\$1 million remaining in the ETC appropriation unallocated (with all other current ETC providers extensions being considered by the Ministry's Deputy Chief Executive, System Performance and Governance). This amount is expected to be sufficient to cover any potential requirements to support other organisations through the ETC scheme, and any increases in costs that other ETC providers may claim.

Next steps

43 If joint Ministers agree to extend Air Chathams' and MetService's funding agreement to 31 October 2022, the Ministry will begin contract negotiations with both operators and, subject to satisfactory terms being reached, seek the Deputy Chief Executive, System Performance and Governance approval of the funding agreement.

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Aviation Security Service
Kaiwhakamaru Rererangi

4 August 2022

OC220592

Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 9 August 2022

cc Hon Kieran McAnulty
Associate Minister of Transport

ADVICE ON CIVIL AVIATION AUTHORITY'S FUNDING AND EXPENDITURE INTENTIONS

Purpose

You are meeting with the CAA Chair and Chief Executive, and officials, on 9 August 2022 to discuss the Authority's 2022/23 baseline spending intentions, and s 9(2)(f)(iv). This briefing provides contextual information to support this discussion.

This briefing also notes the broader trajectory of the Authority's s 9(2)(f)(iv).

COVID-19 pandemic. We note that the expected increases in expenditure are in line with the Cabinet approved 2019 AvSec funding review and those anticipated in the suspended 2020 CAA funding review. Both of these reviews were modelled on pre-covid activity levels, although most of the cost increases forecast in AvSec's 2019 review were about increasing security standards, not addressing a specific volume of passengers.

You may wish to discuss the implications of increased expenditure s 9(2)(f)(iv) at your meeting with the CAA Chair and Chief Executive.

Key points

- On review of the Authority's final Statement of Performance Expectations (SPE) published on 30 June 2022, the Ministry noted two differences from the draft SPE it received in April 2022:
 - a \$43M (or 22 percent) increase in *total budgeted expenditure* in 2022/23, compared with the *estimated actual expenses* in 2021/22; comprising:
 - s 9(2)(f)(iv) for MIQ funding removed in error in the April draft;
 - s 9(2)(f)(iv) in ADS-B grant scheme funds (not funded from the liquidity facility);
 - s 9(2)(f)(iv) for reinstatement of FY 2021/22 net cost savings (that will not repeat in FY 2022/23); and

Central agency guidance for cost recovery states that the legal authority for fees, charges or levies needs to be clearly established, along with four principles of equity, justifiability, efficiency and fairness. One of the underlying issues to be considered in the context of these principles is a sectors capacity to pay. s 9(2)(g)(i)

[Redacted]

s 9(2)(f)(iv)

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Authority comment:

s 9(2)(g)(i)

[Redacted]

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Recommendations

We recommend you:

1 **note** that you are meeting with the CAA Chair and Chief Executive, and officials, on 9 August 2022 to discuss the Authority's 2022/23 baseline spending intentions, and the

s 9(2)(f)(iv)

2 s 9(2)(g)(i)

[Redacted]

3 s 9(2)(g)(i)

[Redacted]

s 9(2)(f)(iv)

4 s 9(2)(f)(iv)

[Redacted]

5 s 9(2)(g)(i)

[Redacted]

Following your meeting with the CAA Chair and Chief Executive

6 **discuss** with the Minister of Finance your joint comfort with s 9(2)(f)(iv)

[Redacted]

Allan Prangnell
**Deputy Chief Executive – System
Performance and Governance,
Ministry of Transport**

04/08/2022

Dean Winter
**Deputy Chief Executive - Strategy,
Governance, Risk and Assurance,
Civil Aviation Authority**

04/08/2022

Hon Michael Wood
Minister of Transport

25 / 08 / 22

- Minister's office to complete:**
- Approved
 - Declined
 - Seen by Minister
 - Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Allan Prangnell, Ministry of Transport - Deputy Chief Executive - System Performance & Governance	s 9(2)(a)	
Sarah Polaschek, Ministry of Transport - Manager, Governance		✓
Dean Winter, Civil Aviation Authority - Deputy Chief Executive Strategy, Governance, Risk and Assurance		✓
Jess Carter, Civil Aviation Authority – Manager, Governance & Executive		

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ADVICE ON CIVIL AVIATION AUTHORITY'S FUNDING AND EXPENDITURE INTENTIONS

Pre-Covid Context

1. Prior to COVID-19, 89 percent of the CAA's funding and 99 percent of AvSec's funding was sustained through charges, fees, and levies. Revenue from these sources enabled the Authority to recruit the resources it needed to deliver its operations, and to invest in priority areas as identified by the Minister of Transport, Government, and the Board.
2. The table below, shows a steady year-on-year increase in the Authority's total expenses and total staff numbers in the five years to 2021:

	2016/17 actual	2017/18 actual	2018/19 actual	Increase for 2016/17 - 2018/19	2019/20 actual	2020/21 actual	Increase for 2019/20 - 2020/21 (to date)
Total expenses (\$000)	137,163	148,007	158,931	\$21.8M	177,511	170,813	-\$6.7M
Full-time equivalent	1,127	1,247	1,295	168	1,430	1,408	-22
Funding review period	2016/17 - 2018/19				2019/20 – 2021/22		

3. Over this five-year period, the Authority's expenses increased by \$33.7M and its FTE grew by 281 persons (the vast majority in AvSec); an average increase of \$8.4M in expenses and 70.3 additional staff each year, endorsed by Cabinet through AvSec's 2019 Funding Review at pre-COVID activity levels i.e., predicted annualised growth of 3.6 percent for international passengers and 3.2 percent for domestic passengers from 2019/20 – 2021/22.
4. We note that staff numbers in AvSec are somewhat impacted by passenger volumes, and increased security requirements and flight schedules.

Authority comment:

The majority of this expenditure increase (88 percent) occurred within AvSec and were approved by Cabinet, as part of AvSec's 2019 funding review. The increases were primarily to improve security standards, which involved the introduction of new technology (unrelated to passenger volumes) and increased levels of screening (for example the significant increase in the amount of Non-Passenger screening performed to address insider threats). The increase in expenses also reflected the increased demand in passenger growth during the previous period (for example, between 2015/2016 and 2019/2020 the number of domestic passengers screened by AvSec increased 15 percent, and the number of international passengers screened by AvSec increased by 18.25 percent). Since then, additional pressures have emerged – for example, since the 2019 Funding Review was implemented, AvSec has been required to also commence screening operations at Invercargill after Air New Zealand commenced jet flights from there.

The Authority feels it is misleading to average staff increases across AvSec and CAA given the differing proportionality of these increases within each part of organisation. For example, between FY 2017 and the FY 2021, CAA's full-time equivalent (FTE) positions increased from 259 to 308.8; a total increase of only 49.8 staff or an increase of 12 staff a year, and CAA's expenses increased by just under \$4M or 9 percent. Many of the

increased 'CAA FTE numbers' were in the corporate support functions that provide services to (and are cost recovered from) AvSec, and supported AvSec's growth drivers as described above. In addition, CAA's 2020 Organisational Design Review created a number of new permanent positions in a fiscally neutral way by reducing its previous dependence on contracting arrangements to cover key functions, in particular in its Information and Technology unit. In addition, elements of CAA's 'growth' in expenditure over those years has been driven by either 'separately funded' schemes (e.g., ADS-B grants and Pacific Aid work), along with the temporary additional funding re-prioritised from MBIE to support the regulation of new aviation technology.

CAA's staff numbers only make up around 20 percent of total Authority numbers (given the high number of frontline Aviation Security Officer roles necessary for AvSec to perform its duties across 6 airports), and of CAA's total numbers, approximately a third are in corporate support functions that support both CAA and AvSec.

5. Actual total expenses and total staff numbers for the 2021/22 financial year have yet to be released, but the Authority's 2022/23 Statement of Performance Expectations notes the estimated actual expense for 2021/22 at \$193M.
6. Should the expense for 2021/22 crystallise, expenditure will increase by \$22.5M in a 12-month period, a significant lift on the \$8.4M average year-on-year increase the Authority has experienced in the last five years

Authority Comment:

- 2021/22 is not an accurate or relevant benchmark for the level of activity the Authority will be required to support in 2022/23; given the impact of Delta and Omicron on the Authority's expenditure in that year, which created one-off savings that will not be repeated in 2022/23:
 - Impact of Delta and Omicron (end of the 'bubbles' in August 2021, Auckland lockdown through to December 2021, delays to the re-opening of the border which was originally planned for late 2021 but was instead pushed to April and beyond as a result of Omicron)
 - Holding vacancies as a result of the above impacts
 - Return of MIQ staff (which meant that AvSec did not need to recruit to the levels as previously planned in second half of the financial year).
 - No international travel (which also impacted Pacific Aid work funded by MFAT), and very limited domestic travel (for example, by investigators)
 - Low level of ADS-B grant pay-out compared to budget assumption
 - The regulatory relief provided to operators in 2021/22 meant that some certification and monitoring activity was reduced (the deferrals associated with which will now result in increased pressure over the 2022/23 year)
- AvSec alone was able to make one-off personnel savings in FY 21/22 of \$19M as a result of the first three variables outlined above.
- The Authority actively pursued these savings during 2021/22 where it could without compromising safety or security. Using 2021/22 actual expenditure as a baseline means that the Authority is effectively being disadvantaged for maintaining fiscal responsibility, as the drivers for those savings will not be present in 2022/23. Rather, there will be increased pressure, as outlined later in this briefing.

- Therefore, it is the Authority's view that a more useful comparator is the baseline expenditure projections for AvSec in their 2019 Funding Review, and for CAA in their (suspended) 2020 Funding Review.
- When using these comparators as a baseline, the increases outlined above in para 2 of the Ministry's advice, and the increase of \$43M between the Authority's 2021/22 actual expenditure and the budget for 2022/23 are very much consistent with what was expected in reviews of the Authority (noting that the uplifts in the AvSec review, to \$168.9M in 2021/22, were approved by Cabinet as a result of growth in passenger volumes requiring screening, and improved security measures as outlined in the Authority comment above). Specifically, the run rate from those reviews for 2021/22 was \$169M for AvSec and \$52.6M for CAA, for a total of \$221M. Once increased security services to support jet services at Invercargill Airport are accounted for, this total is \$222M. s 9(2)(f)(iv)

Purpose of the liquidity facility

7. The implementation of travel and border restrictions in March 2020 significantly impacted third-party revenue, and resulted in limited opportunities for the Authority to maintain (or increase) revenue.
8. To address the Authority's financial difficulties, Cabinet agreed to a new multi-year appropriation to run from 1 April 2020 to 30 June 2022 (CAB-20-MIN-0148 refers). *The Protection of Transport Sector Agency Core Functions* (liquidity facility) was set up to

purchase core services from the Civil Aviation Authority (including AvSec) and Maritime New Zealand (MNZ) that were no longer able to be cost-recovered from third parties as a result of COVID-19
9. When the liquidity facility was established, its aim was to maintain the Authority's core functions and staffing at pre COVID-19 levels, and to support some cost escalations that would enable the delivery of the pre-covid outcomes.

Authority comment:

The liquidity facility was established in early 2020 to preserve the Authority's then levels of capability and capacity as an emergency measure, given that international numbers dropped to 3 percent of pre-COVID and domestic passenger numbers initially dropped to less than 5 percent. Since then, passenger volumes have been very volatile depending on changes in Alert Levels or COVID Projection Framework 'traffic light' setting and outbreaks of different COVID variants also impacting consumer demand. However, in the month of June 2022, domestic volumes recovered to 94 percent of pre-COVID.

The establishment of a liquidity fund was a "point in time" view of the capability and capacity required to ensure the Authority remained a going concern and so that the Board were able to meet its obligations under the Crown Entities Act.

While initial modelling was undertaken at that time to support what that level should be, this modelling accounted for significant reductions in expenditure (such as AvSec holding all vacancies compared to the establishment approved by Cabinet as part of the 2019 Funding Review). This was appropriate at the time given aviation travel was essentially at

a standstill, and a number of airports (e.g., Wellington, Queenstown, and Dunedin) had suspended all international operations.

However, the Authority finds itself in a position where mid-2022 is a significantly different operating environment from when the pandemic hit in March 2020:

- *International passenger volumes are expected to exceed 50 percent of pre-COVID volumes by July 2022, and are recovering at a much faster rate than Border Executive Board (BEB) forecast predictions.*
- *Domestic passenger volumes are at 94 percent as of June 2022*
- *Emerging technologies are developing at pace and have increased in complexity since 2020; for example, the current backlog in Part 102 applications is a direct result of the high number of applications exceeding resource. We are currently unable to meet the Expectations of the Minister (14 February 2022) with respect to emerging technologies:*

[the Authority] must ensure the safety of New Zealanders through a robust regulatory system that enables the safe use of new technologies and enable the continued growth (and potential) of the aviation and aerospace sectors. Irrespective of Budget 2022 outcomes, I expect the Authority to proactively focus on emerging aviation technologies and the implications for the aviation system

- *The introduction of jet services at Invercargill Airport, requiring additional AvSec staff and screening equipment*

More generally, the changes in the aviation sector as a result of the pandemic have been significant and include large scale lay-offs and furloughing of staff, across ground crew, cabin crew, back office staff, instructors, grounding of fleets, deferring maintenance, and some operators seeking to transition their businesses to new ventures.

The transition to new business ventures, increased uncertainty and the significant downturn and financial impacts has resulted in new risks within the aviation system, which are anticipated to remain for some time. This includes skill fade, currency and availability of pilots, supply chain restrictions impacting availability of aircraft parts, commercial pressures to diversify operations and trim operating costs to remain viable.

While we are starting to see some recovery in the sector, this is putting pressure on operators – for example aviation organisation participants, airports and associated infrastructure are having to quickly re-expand to meet the rapid rise in activity, which is also increasing the need for the Authority to increase its interventions and engagements through monitoring, outreach, and re-certifications. In other words, the nature of risk in the system is materially different from the risk present in March 2020.

The Authority's regulatory function (CAA) has been under resourced for a number of years

10. The Authority was undertaking a mid-point funding review in 2020, which was due to take effect on 1 July 2020. This review planned to check the assumptions and forecasts about volume, resource, and costs made in the Authority's first-principles full funding review in 2016.
11. However, in response to sector uncertainty from the pandemic, Cabinet placed a moratorium on funding reviews across border agencies in March 2020 [CVD-20-MIN-0010 refers].

12. After the funding review was paused, the former Minister of Transport directed the Authority to undertake an urgent review of its cost base, and to provide clear proposals on how to control and reduce costs in the short, medium, and long term. The resulting Capability, Capacity, And Costs (CAPCO) review assessed what resources the Authority required to keep the civil aviation system in New Zealand safe, and found that reduced passenger numbers and flight hours had very little impact on the CAA's regulatory workload¹.

Authority comment: *The correlation between passenger volumes and the risks that the Authority must manage through the discharge of its functions is not linear. As outlined in the section above, while increased activity in the aviation sector is generally putting pressure on both operators and the Authority, there has also been an increase in system risks as operators have changed their business models in order to remain financially viable, increasing the complexity and volume of the Authority's workload since CAPCO was completed.*

13. In August 2020, the second stage of CAPCO was launched to take a more detailed look at what the Authority's resourcing should look like over the next few years, and if there were better, more efficient ways of working.
14. CAPCO 2 was not completed, and last year, you agreed to the Authority's proposal to fold remaining work from CAPCO 2 into its funding review. s 9(2)(g)(i)

Since the establishment of the liquidity facility, Ministerial and Government priorities have grown and, despite the pandemic, demand for regulatory activity has remained high

15. In 2020, PwC's independent Value for Money report found that the Authority was operating at 'below optimal levels for it to effectively carry out its core regulatory functions' and recommended the recruitment of 29 additional FTE to enable the Authority to respond proactively, build capability and improve its long-term performance.
16. However, the Authority has been unable to build its regulatory capacity and capability in recent years due to the pre-COVID staffing level constraints associated with its current dependence on the liquidity facility.
17. In response to constrained staffing and finances, the Authority prioritised the delivery of its core functions in 2021/22. However, these workstreams were often delayed, placed additional pressure on an already under resourced, and underqualified, workforce who were further affected by external factors including the public sector pay restraint, the Authority's temporary evacuation from Asteron Centre, and pandemic restrictions.
18. The moratorium on funding reviews for the Authority and MNZ was lifted in October 2021, and the Authority has since undertaken preliminary work to commence its funding review.
19. The Ministry considers the funding review to be the most appropriate mechanism to undertake a baseline review that would mitigate the risk of regulatory failure by

¹ Note that when CAPCO 1 completed "regulatory" was used to refer to CAA and to distinguish from AvSec. The use of "regulatory" is now much more broad and refers to the range of activities the Authority undertakes to keep New Zealand skies safe and secure.

determining what capability and capacity is required to meet the Authority's regulatory and operational functions and responsibilities.

Authority comment:

s 9(2)(f)(iv)

s 9(2)(g)(i)

s 9(2)(f)(iv) s 9(2)(g)(i)

s 9(2)(g)(i)

s 9(2)(f)(iv)

s 9(2)(g)(i)

s 9(2)(g)(i)

Impact of Budget 2022 outcomes on the Authority's deliverables in 2022/23

20. Prior to Budget 2022 outcomes, the Ministry and the Authority both noted that ongoing financial and resourcing constraints would impact the extent to which the Authority is able to address some of your expectations² and Government priorities in 2022/23, and that "non-discretionary" workstreams (such as the funding review) could be further delayed and/or that the standard of delivery could be compromised.

21. To address its resourcing requirements in 2022/23, the Authority submitted two bids in Budget 2022:

² continue to implement the Civil Aviation Bill, maintain resilience and security activities, respond appropriately to the Government's climate change commitments, proactively focus on emerging aviation technologies and the implications for the aviation system.

Budget bid	Objective	Outcome
Ongoing Crown Support for the Civil Aviation Authority and Aviation Security Service Core Functions – operating funding (Liquidity facility)	Extend the liquidity facility ^{s 9(2)(f)(iv)} to enable the Authority to deliver minimum aviation safety and security functions in 2022/23 ^{s 9(2)(f)(iv)}	Partially successful, funding for 2022/23 secured ^{s 9(2)(f)(iv)}
^{s 9(2)(f)(iv)}	^{s 9(2)(f)(iv)}	Unsuccessful

22. On Treasury’s request, the Ministry divided out some initiatives (*funding review, ICAO safety and security audit preparation and the enactment of the Civil Aviation Bill*)

from the ‘**Liquidity facility**’ bid which sought funding to maintain core functions and staffing at pre-COVID-19 levels

into the ^{s 9(2)(f)(iv)}

23. The Authority believes the division of these initiatives to be an error,^{s 9(2)(f)(iv)}

24. In Budget 2021 and 2022, Cabinet considered bids based on this same principal and decided either not to invite bids, or decline bids, that would^{s 9(2)(f)(iv)}

However, Cabinet has supported some cost escalations from the liquidity facility since its establishment.

Authority comment:

The Authority’s view is that there should not have been a second ^{s 9(2)(f)(iv)}

It is also the Authority’s view the Ministry failed to engage with us and the Treasury effectively to identify what should have been included in the core Budget bid, and this should not be the deciding factor that results in the Authority being underfunded.

The Ministry’s review of the final SPE identified key differences from the draft SPE

25. As advised in OC220338, the Ministry reviewed the Authority’s draft SPE (provided to you on 29 April 2022) and supported its publication on the basis that the Ministry and the Authority:

- collaborate on the development, and continued refinement, of performance measures for the 2023/24 SPE once the Authority’s reporting team is adequately resourced; and
- work together to finalise the financial sections in the draft SPE before the document was published at the end of the financial year (to reflect Budget 2022 outcomes and the updated Border Executive Board international passenger forecast).

26. Following confirmation of Budget 2022 outcomes, the Chair responded to your Letter of Expectations and noted that the Authority’s approach to its proposed expenditure in 2022/23 would account for increased revenue as a result of increased aviation activity and identify critical expenditure to address key risks to meeting your expectations and the delivery of core regulatory safety and security activities.

27. On review of the final SPE (published on 30 June 2022), the Ministry noted a \$43M (or 22 percent) increase in *total budgeted expenditure* in 2022/23, compared with the *estimated actual expenses* in 2021/22:

	Estimated Actual expenses (2021/22)	Budget total expense (2022/23)	Difference
Draft (April 2022)	\$193M	\$202M	\$9M
Final (June 2022)	\$193M	\$236M	\$43M

28. The \$43M increase comprises:

- s 9(2)(f)(iv) for MIQ funding (that had been removed in error from the projections in the Budget bid when the Authority was advised that its support to MIQ would no longer be required in FY 2022/23);
- s 9(2)(f)(iv) in ADS-B grant scheme funds (not funded from the liquidity facility);
- s 9(2)(f)(iv)
- s 9(2)(f)(iv) for net cost savings that had only been possible in FY 21/22 following the suspension of Quarantine Free Travel Zones in August 2021 and the domestic (later just Auckland) domestic ‘lockdowns’ in the second half of 2021 which meant AvSec could operate with a lower level of FTE (through maintaining vacancies) than would have been possible had these events not occurred.

29. We note that the upside financial projections from temporary cost savings in FY 2021/22 and higher passenger levies in both FY 2021/22 and 22/23 are currently in excess of \$40M, from which the Authority is seeking to increase its expenditure in FY 2022/23 by s 9(2)(f)(iv) compared to the bid projections.

Authority comment:

At the time that the Authority submitted the draft SPE, neither Budget 2022 outcomes nor the updated Border Executive Border (BEB) forecasts were available (including for other unsuccessful bids such as for s 9(2)(f)(iv) that could have made a material change to the Authority's FY 22/23 budget). Given this high degree of uncertainty (across four bids in total), the Authority was very explicit with the Ministry that the financial sections of the SPE would only be completed once it knew the outcomes of these processes, and that no reliance should be placed on the placeholder figures in the meantime.

Indeed, despite caveating these with the factors outlined above, if the Authority had known these draft figures would essentially be used to 'set' the SPE budget, the Authority would not have provided a draft set of financials at all.

s 9(2)(g)(i)

For example, in December 2021, the BEB had forecast that air passenger volumes would reach 60 percent of 2019 (baseline) levels in a moderate scenario; 80 percent in the optimistic scenario; and 30 percent in the pessimistic scenario by July 2023. The latest BEB forecast puts these forecasted volumes at 70 percent 80 percent and 55 percent respectively, and was prepared prior to Cabinet's recent decision to further bring forward the final stage of the Reconnecting NZ strategy from October to July 2022.

For international passenger volumes, the rapid increase is even more stark:



As outlined in the graph, the orange line is what the Authority's Budget 2022 bid was based on (the Dec 21 moderate forecast), the green line is what the final SPE budget is based on (updated April 22 moderate forecast). The blue line is the "optimistic" scenario (from the same April 22 BEB update). The black line is actuals to date, showing the recovery is already occurring faster than the most optimistic BEB scenario. We expect that by July 2022, these international passenger volumes will have hit at least 50 percent.

The revision of the draft SPE budget to account for the increased pressures as outlined by the BEB forecasts is entirely in line with discussions between the Chair and the Minister at their April 2022 meeting, and the Minister's response to the draft Statement of

Performance Expectations for 2022/23 (23 May 2022), which stated:

The SPE's financial forecasts will be updated in June 2022 to reflect Budget 2022 outcomes, and the Border Executive Board international passenger forecast which is currently under development. I expect you to work closely with officials prior to finalising these financial forecasts.

30. The Ministry acknowledges that the Authority's final SPE was subject to change and that there was uncertainty about the impact of Budget 2022 outcomes and updated BEB scenarios on its final financial statements. However, our advice to you on the draft SPE would have been different if the final approach to the Authority's proposed expenditure in 2022/23, and its impact on the draft Budget total expenditure in the final SPE, had been known at the time the draft SPE was reviewed.

The Ministry is concerned about the impact of the Authority's increased expenditure on the outcome of the funding review

31. The table below shows a sustained increase in the Authority's expenses over a five-year period (with exception to 2020/21). In 2022/23 there is a 22 percent increase in proposed expenditure.

	2016/17 actual	2017/18 actual	2018/19 actual	Increase for 2016/17 - 2018/19	2019/20 actual	2020/21 actual	2021/22 Estimated actual	Increase for 2019/20 - 2020/21 (to date)	2022/23 Budget (Final SPE)
Total expenses (\$000)	137,163	148,007	158,931	\$21.7M	177,511	170,813	193,315	\$15.8M	236,093
Difference in expenditure from previous year (\$000)		10,844	10,924		18,580	-6,698	22,502 (TBC)		42,778
Year-on-year increase		8%	7%		12%	-4%	13%		22%
Funding review period	2016/17 - 2018/19				2019/20 – 2021/22				

32. The Authority advises that the primary driver for the recent growth in expenditure is increased AvSec headcount (albeit still below that assumed in its 2019 Funding Review) which is required to meet the uplift in passenger volumes since the Reconnecting New Zealanders strategy commenced in January 2022.
33. Although international volumes are not yet at pre-COVID levels, domestic has already returned to 94 percent of pre-COVID levels in June and is expected to be near, or potentially even in excess of, 100 percent in July - depending on the outcomes of recent weather disruptions.

s 9(2)(g)(i) [Redacted]

34. s 9(2)(g)(i) [Redacted]

35. s 9(2)(g)(i) [Redacted]

36. Although there has been an uplift in passenger volumes following the introduction of the *Reconnecting New Zealanders strategy*, long-term travel trends are not yet determined. We note that each operator passes on some (or all) of its fees, charges and levies on to passengers through the price of their ticket. s 9(2)(g)(i) [Redacted]

Authority comment:

While long-term travel trends have not been determined, both CAA and AvSec are largely fixed-cost operations, determined by personnel and infrastructure expenses – e.g., rental and accommodation costs (both office space and space at airports for screening equipment) and IT infrastructure costs (e.g., licence and hosting fees).

As outlined previously in this briefing, the 'sustained' increases in expenditure are largely attributed to AvSec and were expected (and approved by Cabinet). These increases were not only to respond to increased demand for passenger screening, but also to improve security standards, which involve the introduction of new technology irrespective of passenger volumes.

Cabinet has already acknowledged that ticket prices will increase, given their approval of the 117 percent increase to the Border Clearance Levy for Customs and the Ministry for Primary Industries.

Ministry's comment: s 9(2)(f)(iv) [Redacted]

Authority comment:

The purpose of the Funding Review is to identify whether existing funding review cycles are still appropriate, considering the impact of COVID-19, and to identify the mix of funding sources compared to the source of cost drivers considering the impact of the border closure on revenues. It is our position that it would be inappropriate to guess what the level of Crown funding may be required. s 9(2)(f)(iv)

Budget 2021 and 2022 recommendations and initiatives in the Authority's SPE baseline

37. s 9(2)(f)(iv)

Ministry's comment: s 9(2)(g)(i)

s 9(2)(f)(iv)

The Ministry recommends you discuss with the Minister of Finance your joint comfort with

s 9(2)(f)(iv)

Authority comment: *The Authority's functions are outlined in Civil Aviation Act (refer 72B Functions of Authority) – which cannot be overridden by determinations made by Cabinet. However, we note that in its direction on how the liquidity facility should be administered in 2022/23, Cabinet also agreed to the following:*

81 – note that the funding is based on forecast border activity as determined by the Border Executive Board on 15 December 2021, and that it is likely that the actual funding required will differ based on actual experience in the 2022/23 year

It is the Authority's view that the proposed s 9(2)(f)(iv) reflects the minimum required, based on actual border activity and the corresponding increased regulatory workload, to meet the Minister's expectations and maintain our core regulatory safety and security functions.

Next steps

38. On 9 August 2022, you are meeting with the CAA Chair and Chief Executive, and officials. We suggest you use this meeting to discuss:

- s 9(2)(f)(iv) [redacted]
- s 9(2)(f)(iv) [redacted]

39. Following this meeting, the Ministry recommends that you discuss with the Minister of Finance your joint comfort with s 9(2)(f)(iv) [redacted]

The attachment to this briefing, being five pages has been withheld in full under Section 9(2)(f)(iv)

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8 August 2022

OC220688

Hon Michael Wood
Minister of Transport

CC Hon Kieran McAnulty
 Associate Minister of Transport

SUGGESTED TALKING POINTS FOR YOUR MEETING WITH THE CAA CHAIR AND CHIEF EXECUTIVE ON 9 AUGUST 2022

Snapshot

You are meeting with the Civil Aviation Authority (the Authority) Chair and Chief Executive - on 9 August 2022. To support you in your meeting, the Ministry of Transport has provided comments and suggested talking points.

Time and date	4.15pm – 4.45pm, 9 August 2022
Venue	EW5.1
Attendees	Janice Fredric, CAA Chair Keith Manch, CAA Chief Executive
Officials attending	Allan Prangnell, Deputy Chief Executive, System Performance & Governance Sarah Polaschek, Manager, Governance
Agenda	<ol style="list-style-type: none"> s 9(2)(f)(iv) The implications of increased expenditure on the Authority's funding review.

Contacts

Name	Telephone	First contact
Allan Prangnell, Deputy Chief Executive, System Performance & Governance	s 9(2)(a)	
Sarah Polaschek, Manager, Governance	s 9(2)(a)	✓
Alex Beedell, Senior Advisor, Governance	s 9(2)(a)	

SUGGESTED TALKING POINTS FOR YOUR MEETING WITH THE CAA CHAIR AND CHIEF EXECUTIVE ON 9 AUGUST 2022

Key points

- You are meeting with Janice Fredric (CAA Chair), Keith Manch (CAA Chief), and Ministry officials on 9 August 2022 to discuss joint advice on the Authority's Funding and Expenditure Intentions (OC220592 refers).
- This meeting follows a discussion on Budget outcomes at the last of your regular meetings with the CAA Chair and Chief Executive on 6 July 2022, in which the Authority and Ministry provided different views on the Authority's 2022/23 SPE budget.
- The Ministry recommends that you use this meeting to discuss:
 1. s 9(2)(f)(iv) [redacted] and [redacted]
 2. the implications of increased expenditure on the Authority's funding review, and the Authority's position on ongoing Crown support following the implementation of the funding review.
- We also recommend that you reiterate that the Authority should seek to implement a sustainable new funding model by 2024/25 at minimal cost to the Crown.
- Suggested talking points are provided for your consideration in blue boxes.

Agenda Items

- s 9(2)(f)(iv) [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

- s 9(2)(f)(iv) [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

s 9(2)(f)(iv)

[Redacted]

- [Redacted]
- [Redacted]

[Redacted]

- [Redacted]
- [Redacted]

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Item two: The implications of increased expenditure on the Authority’s funding review

7. As outlined in the *table* below there has been a **\$56m** increase in expenditure over the last five financial years. With a proposed **22 percent** uplift in proposed expenditure between the *2021/22 estimated actual expenditure* and the *2022/23 Budget*:

	2016/17 actual	2017/18 actual	2018/19 actual	2019/20 actual	2020/21 actual	2021/22 Estimated actual	2022/23 Budget (Final SPE)
Total expenses (\$000)	137,163	148,007	158,931	177,511	170,813	193,315	236,093
Difference in expenditure from previous year (\$000)		10,844	10,924	18,580	-6,698	22,502 (TBC)	42,778
Year-on-year increase		8%	7%	12%	-4%	13%	22%

8. Expenditure for the 2019/20 – 2021/22 period was endorsed by Cabinet through AvSec’s 2019 Funding Review which used pre-COVID activity levels i.e., predicted annualised growth of 3.6 percent for international passengers and 3.2 percent for domestic passengers - a 15 percent increase in passenger screening by 2022.

s 9(2)(f)(iv) [Redacted]

9. s 9(2)(f)(iv) [Redacted]

10. Although there has been an uplift in passenger volumes following the introduction of the *Reconnecting New Zealanders strategy*, long-term travel trends are not yet determined. We note that each operator passes some (or all) of its fees, charges and levies on to passengers through the price of their ticket. s 9(2)(f)(iv) [Redacted]

11. Currently, international passenger levels are around 50 percent of pre-covid levels. s 9(2)(f)(iv) [Redacted]

12. Domestic travel has rebounded more strongly than international; however, levels are still below those forecast in the 2019 Funding Review.

You may wish to

1. **reiterate** that while Crown funding is within the scope of the funding review's Terms of Reference, the Authority should seek to implement a sustainable new funding model at minimal cost to the Crown.
2. **ask** the Chair and Chief Executive about the international trends they are seeing, and what impacts these trends could have for the Authority and the New Zealand's aviation sector.
3. s 9(2)(f)(iv) [Redacted]
4. s 9(2)(f)(iv) [Redacted]
5. **acknowledge** that the funding review will determine the increases to fees, charges, and levies required to support delivery of the Authority's functions.
6. **ask:**
 - s 9(2)(f)(iv) [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
7. **ask** the Chair which of the Authority's activities should be funded as a public good?

The attachment to this briefing, being five pages, has been withheld in full under Section 9(2)(f)(iv)

10 August 2022

OC220685

Hon Kieran McAnulty
Associate Minister of Transport

MEETING WITH SOUNDS AIR 10 AUGUST 2022

Snapshot

You are meeting with representatives from Sounds Air on Wednesday 10 August 2022. The Ministry of Transport has provided a few key notes to support the discussion below.

Officials attending:

- Ewan Delany – Manager, Environment, Emissions & Adaptation
- Hayden Berkers – Principal Advisor, Programme Assurance and Commercial (note: lead for the ETC scheme)
- Jo Pohatu – Principal Adviser, Environment, Emissions & Adaptation

KEY NOTES

Sounds Air have been a part of the Essential Transport Connectivity scheme since May 2020

- 1 The Essential Transport Connectivity (ETC) scheme was established to ensure connectivity of key transport services impacted by the short-term impacts of COVID-19. Following their application on May 2020, Sounds Air were approved as part of the ETC scheme.
- 2 In May 2021, Sounds Air notified the Ministry that it did not need support from the ETC at that point. Following the national lockdowns resulting from the Delta variant of COVID-19, the Ministry reinstated support for Sounds Air.
- 3 ETC support is provided for three routes: Blenheim-Christchurch, Wellington-Westport, and Wellington-Taupo). Sounds Air operate a range of routes which are not supported by the ETC.
- 4 The maximum weekly cap at present for Sounds Air is s 9(2)(b)(ii)
- 5 To date the ETC has provided funding of s 9(2)(b)(ii) which officials understand has been critical to ensure the short-term viability of Sounds Air.

s 9(2)(b)(ii)

6 Officials regularly engage with Sounds Air as part of the normal course of the ETC operations. s 9(2)(b)(ii)

A summary of the key themes raised by Sounds Air are below.

Table 1 – Key themes previously raised by Sounds Air

Theme	Summary	Notes from officials
Fuel prices	The sustained escalation in the fuel prices during 2022 has had a significant impact on many transport operators, including regional airlines where fuel is a significant variable cost.	s 9(2)(b)(ii) Officials also note there has been a significant decrease in the fuel price over the last few weeks, though the fuel price remains higher than in early 2022.
Access to capital	Due to the damages of COVID-19 on the aviation sector, s 9(2)(b)(ii)	s 9(2)(b)(ii) s 9(2)(i)(iv) s 9(2)(f)(iv) and s9(2)(g)(i)
Regional connectivity and sustainability	Sounds Air have raised that there is a good opportunity for growth in regional air travel as demand improves, and particularly to improve the sustainability of regional air travel. s 9(2)(ba)(i)	Carbon sustainability of air travel is discussed further below. The Ministry agrees that this is a good opportunity to consider how the regional air travel market is functioning and consider any options to improve the sustainability of travel. s 9(2)(f)(iv)

Aviation is hard to decarbonise: however, the Emissions Reduction Plan commits the Government to taking steps to help the sector transition

7 Domestic aviation emissions represent around 7% of transport emissions and are hard to address. Air travel has a role in moving both people and freight to domestic and international destinations. In many cases, air travel is a core mode for inter-city

and interregional travel. This means improving aviation's sustainability is critical, alongside improving alternatives to interregional air travel in some places.

8 Recognising this, in the 2022 Emissions Reduction Plan the Government has committed to:

- Develop and set specific targets for decarbonising domestic aviation in line with our 2050 targets.
- Establish a public-private leadership body focused on decarbonising aviation, including operational efficiencies, infrastructure improvements and frameworks to encourage research, development and innovation in sustainable aviation.
- Support the uptake of low-carbon liquid fuels, including implementing a sustainable aviation fuel mandate

9 These actions are all in early stages of development. The Ministry of Transport is also actively involved in lifting global ambition and action on aviation emissions through International Civil Aviation Organization dialogues and the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA) process. NZ agreed to participate in CORSIA in 2016.

s 9(2)(ba)(i)

10 s 9(2)(ba)(i)

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TALKING POINTS:

Essential Transport Connectivity (ETC) scheme

- Officials consider that Sounds Air has been a model ETC scheme operator – and officials thank Sounds Air for their engagement to date.
- The challenges facing regional transport are acknowledged by Ministers, and was heavily factored into the decision to extend the ETC scheme through to 31 October 2022.
- The ETC was established to face the short-term challenges from COVID-19, which appear to be dissipating. s 9(2)(f)(iv)

Questions on the ETC scheme:

- How would Sounds Air describe the outlook for regional air connectivity? Is there any clear steps government could take to support the industry?

Decarbonisation discussion points:

- s 9(2)(ba)(i)
- Aviation is critical to connecting NZ domestically and with the world. That is unlikely to change so it is similarly critical we find ways to decarbonise aviation.
- s 9(2)(b)(ii)

s 9(2)(ba)(i)

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UNCLASSIFIED



10 August 2022

OC220681

Hon Kieran McNulty
Associate Minister of Transport

Action required by:
Monday, 29 August 2022

ATTENDANCE BY NON-GOVERNMENT REPRESENTATIVES AT THE INTERNATIONAL CIVIL AVIATION ORGANIZATION ASSEMBLY

Purpose

Seek your approval for Air New Zealand staff Niels Meinderts, Regulatory Affairs Manager, Kristy McKay, Head of Regulatory Affairs, and Jenny Sullivan, Acting Head of Sustainability, and New Zealand Air Line Pilots' Association (NZALPA) President Andrew Ridling, to attend the upcoming triennial International Civil Aviation Organization (ICAO) Assembly, as observers on the New Zealand delegation.

Key points

- ICAO is a United Nations specialised agency, headquartered in Montreal, that sets the global standards in all facets of aviation.
- ICAO holds an Assembly, every three years, to which all member states are invited.
- The Assembly is an opportunity for global engagement on current and future aviation issues such as safety and security measures, and environmental standards.
- Ministry of Transport and Civil Aviation Authority (CAA) officials will attend the ICAO 41st Assembly from 27 September to 7 October 2022.
- Air New Zealand and the NZALPA have asked to join the delegation as observers as they have a direct interest in the aviation standards and recommended practices promulgated by ICAO. Airlines and international aviation representative organisations have an accepted role at Assembly.
- You previously approved two executives from the Lower Hutt aviation firm Aspeq to attend the Assembly as observers.

UNCLASSIFIED

Recommendations

We recommend you:

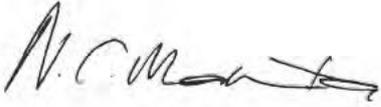
- 1 **approve** Niels Meinderts, Kristy McKay and Jenny Sullivan of Air New Zealand, and Andrew Ridling of the New Zealand Air Line Pilots' Association to attend the International Civil Aviation Organization Assembly in September/October 2022, as observers within the official New Zealand delegation (Yes / No)
- 2 **refer**, if you approve recommendation (a), this briefing to the Minister of Foreign Affairs for her approval. (Yes / No)



Tom Forster
Manager, Economic Regulation
 10 August 2022



Hon Kieran McAnulty
Associate Minister of Transport
 11 / 08 / 22



Hon Nanaia Mahuta
Minister of Foreign Affairs
 31 / 08 / 2022

Minister's office to complete: Approved Declined
 Seen by Minister Not seen by Minister
 Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Tom Forster Manager Economic Regulation	s 9(2)(a)	✓
Ken Hopper Senior Licensing Adviser		

ATTENDANCE BY NON-GOVERNMENT REPRESENTATIVES AT THE INTERNATIONAL CIVIL AVIATION ORGANIZATION ASSEMBLY

Purpose of report

1. This briefing seeks your approval for the New Zealand Air Line Pilots' Association (NZALPA) President (Captain Andrew Ridling) and three Air New Zealand staff (Niels Meindert, Kristy McKay and Jenny Sullivan) to attend the ICAO 41ST Session of the Assembly as observers on the New Zealand delegation.
2. If you approve, you are asked to pass this briefing to the Minister of Foreign Affairs for confirmation of the decision.

New Zealand attendance at the ICAO Assembly

3. The ICAO Assembly is a significant gathering of aviation officials from around the world, and addresses numerous technical, economic and legal issues relating to aviation. Among the key issues of interest to the New Zealand delegation at the 41st Assembly will be ongoing measures to address aviation emissions.
4. The Director of Civil Aviation will head the New Zealand delegation. The Secretary for Transport, under delegated authority, will issue credentials for the delegation.
5. Airlines and international aviation representative organisations have an accepted role at Assembly, e.g., it might be expected that the International Air Transport Association and Airports Council International would have people in attendance. Accordingly, the inclusion of the Air New Zealand and NZALPA delegates as observers would reflect accepted practice and offer practical support to the New Zealand delegation.

The purpose of non-official representatives

6. From time to time, non-official representatives are included in official New Zealand delegations. Non-official representatives who have joined New Zealand delegations in the past include Members of Parliament, iwi, members of Crown entities and state-owned enterprises, representatives of non-governmental organisations (NGOs) and industry groups.
7. Non-official representatives included in official New Zealand delegations to international meetings must be either New Zealand permanent residents or New Zealand citizens.
8. All members of official delegations are bound by conditions of confidentiality and take their instructions from the Head of the Delegation. These conditions apply equally to non-official representatives. Conditions participants must abide by are set out in Annex 1.

Proposal for Air New Zealand and NZALPA representatives to attend Assembly

9. The Ministry has received a request from Air New Zealand for Niels Meinderts, Regulatory Affairs Manager, Kristy McKay, Head of Regulatory Affairs, and Jenny Sullivan, Acting Head of Sustainability, to attend the ICAO Assembly, as observers within the New Zealand delegation.
10. The NZALPA has made a similar request for its President (Captain Andrew Ridling).

11. Air New Zealand and the NZALPA have a direct interest in the aviation standards and recommended practices promulgated by ICAO.
12. The delegates from Air New Zealand and NZALPA will be registered as observers, and they will not be able to make interventions or commit New Zealand to any obligations.
13. Te Manatū Waka - Ministry of Transport supports the applications of Air New Zealand and the NZALPA to attend the Assembly as observers.

Process for approval, and information you should consider

14. The approval of non-official representatives on official delegations is subject to the process outlined in Cabinet Officer Circular CO(00) 14. It stipulates that decisions about the inclusion of non-official representatives on official delegations should be taken by the Ministers concerned, who should be provided, where possible, with information on the points outlined in the following table.
15. Decisions about including non-official representatives in official delegations must also be cleared in advance in writing by the Minister of Foreign Affairs.

Information to be considered	Information regarding this proposal
<ul style="list-style-type: none"> • Whether the representative can obtain observer status at the conference in his or her own right, through their parent body or through a non-government organisation association. If this is possible, that should be the preferred option. 	<ul style="list-style-type: none"> • Although the International Air Transport Association has observer status at ICAO Assembly, it is not clear this confers similar status on each individual airline member. • Although the International Federation of Air Line Pilots' Associations has observer status at ICAO Assembly, it is not clear this confers similar status on each individual association.
<ul style="list-style-type: none"> • The general objectives of the representative and their sponsoring organisation and their particular objectives for the conference under consideration. 	<ul style="list-style-type: none"> • Air New Zealand is a service provider (airline) that seeks exposure to ICAO meetings to deepen its understanding of international rules settings and wider aviation developments that may impact its business. • NZALPA is a professional body representing airline pilots that seeks exposure to ICAO meetings to deepen its understanding of international rules settings and wider aviation developments that may impact its members.

Information to be considered	Information regarding this proposal
<ul style="list-style-type: none"> Points of similarity and difference between the government's policy and objectives and those of the representative and their sponsoring organisation 	<ul style="list-style-type: none"> Air New Zealand is an airline operator within a highly regulated international aviation system. ICAO is the primary setter of this regulation, which is then implemented in New Zealand by the CAA and Te Manatū Waka. NZALPA is interested in the welfare of its members. ICAO promulgates rules, and generally discusses issues, on airline safety and aviation medical standards that directly affect pilots.
<ul style="list-style-type: none"> Advantages to the government in including the representative on the delegation, for example because of specialised knowledge and expertise. 	<ul style="list-style-type: none"> The New Zealand delegation would benefit from having input from people directly involved in the practice of aviation who can point out the practicalities and implications of the various proposals before the Assembly. Of the New Zealand delegation, the three Air New Zealand staff, the President of NZALPA and two representatives from Aspeq (a Lower Hutt-based company that provides testing services for pilot and other licensing in New Zealand and overseas), would be the only non-government representatives.
<ul style="list-style-type: none"> The general balance of the delegation, taking into account its overall size. The smaller the delegation, the less appropriate it is to include non-official representation. 	<ul style="list-style-type: none"> The New Zealand delegation's government officials will comprise seven delegates from the CAA and Te Manatū Waka. In addition, a number of staff from both agencies will attend remotely.
<ul style="list-style-type: none"> Whether the meeting is one where non-official representatives are perceived as acceptable to other governments, especially the host government. 	<ul style="list-style-type: none"> As a technical organisation ICAO has a close association with non-government experts including aviation representative organisations, and manufacturers and operators of aircraft. Te Manatū Waka and the CAA know of no information that would make the Air New Zealand or NZALPA personnel unsuitable.

Information to be considered	Information regarding this proposal
<ul style="list-style-type: none"> Assurance that the particular person nominated has the support of the sponsoring organisation in question, is a New Zealand citizen or permanent resident and - on the basis of known information - is a person acceptable to the government. 	<ul style="list-style-type: none"> Niels Meinderts, Kristy McKay, Jenny Sullivan and Andrew Ridling are all New Zealand citizens.

Risks

16. We do not consider there are any risks associated with attendance by Air New Zealand and the NZALPA as part of the New Zealand delegation. There are no contentious issues where their views diverge from the government being discussed, and the delegates from those organisations will have to sign an undertaking with the conditions outlined in Annex 1. Their delegates will not be able to make interventions or commit New Zealand to any obligations.

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ANNEX 1

1. The participant will at all times be under the authority of the leader of the delegation or, in his/her absence, that of the deputy leader, and will comply with their instructions or with any instructions received from the New Zealand authorities.
2. As a participant in an official delegation the participant will act consistently with the government's interests as identified in the brief or by the delegation leader. If required he/she will also assist in compilation of the delegation report.
3. The confidentiality of information received through participation in the official delegation is to be maintained. This information includes government documents, restricted conference documents, delegation discussions and such international negotiations as are conducted in camera.
4. This confidentiality shall particularly apply to any communications with the press.
5. The participant may brief sponsoring organisations on developments and results in the negotiation but only on the basis that any information of a sensitive nature provided to sponsoring organisations will not be revealed publicly by them.
6. Any articles written by the participant about the negotiations are subject to the clearance of the leader of the delegation or the appropriate government authorities.
7. It is understood that inclusion in the delegation does not imply any obligation on behalf of the New Zealand government to meet costs of non-governmental participants.

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17 August 2022

OC220720

Hon Kieran McNulty
Associate Minister of Transport

MEETING WITH CIVIL AVIATION AUTHORITY CHAIR AND CHIEF EXECUTIVE - 22 AUGUST 2022

Snapshot

You are meeting with the Civil Aviation Authority (the Authority) Chair and Chief Executive on 22 August 2022. To support you in your meeting, Te Manatū Waka has provided comments and suggested talking points on the proposed agenda items.

Time and date	5.00pm – 5.30pm, 22 August 2022
Venue	G.036
Attendees	Janice Fredric, CAA Chair Keith Manch, CAA Chief (see <i>biography</i> in Annex 3) Jess Carter, CAA Manager, Governance
Officials attending	Allan Prangnell, Deputy Chief Executive, System Performance & Governance Sarah Polaschek, Manager, Governance Alex Beedell, Senior Adviser, Governance
Agenda	1. 2021/22 Quarter Four Performance Report (paragraphs 1 - 9) 2. Security Resilience in the Transport Sector (paragraphs 10 - 13) 3. 2020 Ministerial Review into the Authority's Culture (paragraphs 14 - 26)
Talking points	Annex 1 contains suggested talking points

Contacts

Name	Telephone	First contact
Allan Prangnell, Deputy Chief Executive, System Performance & Governance	s 9(2)(a)	
Sarah Polaschek, Manager, Governance	s 9(2)(a)	✓
Alex Beedell, Senior Advisor, Governance	s 9(2)(a)	

Meeting with Civil Aviation Authority Chair and Chief Executive - 22 August 2022

Key points

- You are meeting with Janice Fredric (Chair) and Keith Manch (Chief Executive) of the Civil Aviation Authority (the Authority) on 22 August 2022. This is the first of your regular meetings with the Authority since you took up your delegation. You previously met with Ms Fredric on 18 July 2022 for a meet and greet.
- We suggest you use this meeting to discuss the risks and trends impacting the wider aviation sector and the Authority's operations. You might also like to mention any points of interest from your regional visit programme and, where relevant, ask for the Authority's view on regional aviation matters.
- You may also wish to note which of the Authority activities are of interest to you from a risk and/or assurance perspective, as this will inform items for discussion at future meetings. *Suggested talking points* are provided in **Annex 1**.

Please note that this briefing includes sensitive material on security and resilience

- The talking points at **Annex 1** are classified at RESTRICTED but you, on behalf of the Minister of Transport, have been given authority to share them with selected stakeholders. We ask that you:
 - do not distribute the talking points widely or beyond people with a need to know. We have not been given approval by the original authors (DPMC) to share with other agencies;
 - use [SEEMAIL] [RESTRICTED] classification if sending these, and similarly convey these handling instructions;
 - apply any policy on handling sensitive information if you intend to print or make copies of this or save anywhere, and when you dispose or destroy this material.

The Authority may raise ongoing issues of a financial nature

- Although the Minister of Transport holds the financial delegation for the Authority, issues of a financial nature may be raised at this meeting, s 9(2)(g)(i)
[REDACTED]
[REDACTED]
[REDACTED]
- The *table* at **Annex 2** highlights additional issues that may be raised, including three items that were discussed at the Authority's last meeting with the Minister of Transport on 6 July 2022: *Budget outcomes*, *Funding Review Update*, and *Emerging technologies*.
- We suggest that you discuss the Authority's 2022/23 baseline, and expectations for the Authority's funding review, with the Minister of Transport before this meeting.

Item one: 2021/22 Quarter Four Performance Report (Q4 report)

- 1 On 12 August 2022 you received the Authority's Q4 report. Typically, the Authority reports on its quarter four performance through its annual report but, due to Audit NZ resourcing pressures, finalisation of the Annual Report could be delayed until January 2023.
- 2 The Authority achieved 38 of the 47 performance measures in its 2021/22 Statement of Performance Expectations by the end of the financial year. Nine measures were missed, comprising:
 - 2.1 five measures impacted by staff illness and/or ongoing resourcing constraints;
 - 2.2 two measures that were demand-driven;
 - 2.3 one measure that is pending assessment by a third party (which could result in the measure being achieved);
 - 2.4 one measure 'implement the Stakeholder Framework and approach' that missed its implementation date.
- 3 Te Manatū Waka shares the CAA Chair's view that the results of these nine measures did not adversely impact on the safety and security of the aviation system, or immediately compromise the effectiveness of the Authority's regulatory functions. This is because the Authority mitigated the impacts of its constrained resourcing and financial position by prioritising the delivery of its core functions in 2021/22.

s 9(2)(g)(i)

- 4 The Authority is currently unable to build its regulatory capacity and capability because of its dependence on 'The Protection of Transport Sector Agency Core Functions' (liquidity facility) which maintains staffing levels at pre-COVID levels.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

- 7 The Q4 report notes 42.86 vacant establishment FTEs for CAA and 32.9 for AvSec. These numbers are in addition to the 29 additional FTEs recommended by PwC's 2020 independent *Value for Money report* to enable the Authority to respond proactively, build capability and improve its long-term performance.

8 Ongoing resourcing constraints, high FTE vacancies, and increasing pressure on staff may compound existing resourcing pressures in 2022/23. To mitigate this, it is essential that the Authority:

8.1 attracts, and retains, staff; and

8.2 maintains the organisational and culture changes from its Te Kākano culture programme (Te Kākano – **see agenda item three**) now it has been folded into BAU.

9 Background information on the Authority’s organisational culture change programme is outlined at **paragraphs 14 - 26**. Suggested *talking points* are available for your consideration in **Annex 1**, these include questions that ask the Chair to assess the risk from constrained resources, and to detail how those risks will be mitigated.

Item two: Security Resilience in the Transport Sector

10 s 6(a) [Redacted text block]

11 s 6(a) [Redacted text block]

12 s 6(a) [Redacted text block]

13 Suggested *talking points* are available for your consideration in **Annex 1**.

Item three: 2020 Ministerial Review into the Authority’s Culture

14 In 2019, the former Transport Minister, Hon Phil Twyford, ordered a Ministerial review into the Authority’s organisational culture following concerns about how the Authority handled incidents of bullying and harassment.

15 The resulting *2020 Final Report - Civil Aviation Authority Organisational Culture Review (Culture Review Final Report)* made 31 recommendations to improve the Authority’s culture, treatment of staff, handling of complaints, and policies and procedures. The recommendations applied to both the entity’s regulatory function (CAA), and its security function (Avsec).

- 16 In June 2020, the CAA Board launched its Te Kākano change programme (Te Kākano) to implement the organisational and culture changes required to address the 31 recommendations set out in the *Culture Review Final Report*.
- 17 Te Kākano operated from June 2020 to February 2022 before it was transitioned into BAU. In this time, the programme introduced the frameworks required for significant cultural change including organisational values, a complaints service, policy changes and strategies – which aimed to provide an integrated approach to culture change across the Authority.

Measuring the effectiveness of Te Kākano outputs

- 18 The Authority's last *Te Kākano Progress Report* in February 2022 noted that several policies and procedures had been amended or developed in response to the *Culture Review Final Report*. However, the February 2022 *Progress Report* (and the reports proceeding it) did not contain a mechanism to measure if Te Kākano outputs have made a meaningful difference to the Authority's culture, treatment of staff, or handling of complaints.
- 19 To measure the impact of the Te Kākano programme, the Authority commissioned four staff surveys over an 18-month period. The table below details the average scores for the organisation, and its regulatory and safety functions, from three of the most recent surveys:

	March 2022 YourView survey	June 2021 Culture Change Pulse Survey	October 2020 YourView survey
Organisation score	65 percent	62 percent	61 percent
CAA average score	66 percent	68 percent	58 percent
Avsec average score	65 percent	60 percent	62 percent

- 20 The latest survey results (from YourView March 2022) show that, overall, the Authority has made progress to better its organisational culture following the 2019 Ministerial review into the Authority's organisational culture.

However, survey results also indicate that some Te Kākano outputs have not had significant impact on the Authority's organisational culture to date

- 21 The following examples come from the results of the June 2021 Culture Change Pulse survey:

s 9(2)(g)(i)

s 9(2)(g)(i)

s 9(2)(g)(i)

- 22 Most Te Kākano outputs to address the 31 recommendations in the *Culture Review Final Report* were in place at the time the programme transitioned to BAU in February 2022. However, some developed outputs such as the Health, Safety and Wellbeing Strategy 2021 to 2026, and wellbeing workshops had not yet been implemented.

Status of Te Kākano

- 23 In advance of Te Kākano's transition into BAU, the Authority made reporting lines, responsibilities, and ownership of Te Kākano outputs clearer including those outputs assigned to the CAA Board and senior executives.
- 24 The CAA Board continues to monitor the delivery the programme's outputs through reports and its subcommittee meetings. However, it will take time for the frameworks introduced by Te Kākano to be fully embedded across the organisation.
- 25 In accordance with the Minister of Transport's 2022/23 Letter of Expectations, Te Manatū Waka and the Authority will work together to scope an independent evaluation to assess if:
- 25.1 Te Kākano's outputs have been effective in improving the Authority's culture, treatment of staff, handling of complaints, policies, and procedures; and
 - 25.2 the *Culture Review Final Report's* recommendations have been adequately addressed by the Authority and embedded within the organisation.
- 26 It is anticipated that that this evaluation will be undertaken around October 2022, with results provided to you and the Minister of Transport for further discussion with the Chair and Chief Executive. In the meantime, your regular meetings with the Authority are the most effective way to evaluate the success of Te Kākano's transition into BAU.
- 27 Suggested *talking points* for this item are available for your consideration in **Annex 1** under the points for **items one and three**.

Annex 1: Suggested Talking Points

Items one and three: 2021/22 Quarter Four Performance Report and 2020 Ministerial Review into the Authority's Culture

You may wish to discuss the following points with the CAA Chair and Chief Executive:

- s 9(2)(g)(i) [redacted] You may wish to ask the Chair:
 - s 9(2)(f)(iv) [redacted]
 - s 9(2)(f)(iv) [redacted]
 - s 9(2)(f)(iv) [redacted]
 - *how is the Authority addressing its existing FTE vacancies?*
 - *what activities is the Authority undertaking to retain its existing staff?*
 - *How is the CAA Board monitoring the delivery of Te Kākano, now it is BAU?*
- The Authority is unable to increase its staffing levels while it is dependent on Crown funding to deliver its operations. You may like to reiterate:
 - s 9(2)(f)(iv) [redacted]
- The Q4 report notes that the private aviation sector accident rate is high and continues to rise. You may like to ask:
 - *what patterns and trends has the Authority identified from its engagement with the sector, and how these will be used to build further awareness in the private aviation sector?*
- The Authority's Annual Report may be finalised in January 2023. You may like to note that Te Manatū Waka has drafted a Letter of Support to the CAA Chair which will confirm that the Authority will be treated as a going concern in 2022/23. The letter will be provided to Ms Fredric shortly.

Item two: Security Resilience in the Transport Sector

s 6(a)

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Annex 2: Status update on items

The table below details progress made against three agenda items discussed at the Authority's last meeting with the Minister of Transport on 6 July 2022. There are no significant updates for the remaining three agenda items: Associate Minister of Transport, Part 149 update, or International Audits and Transport Security Administration Visit.

The table also includes updates on reserves and the Letter of Support which the Chair may raise at your meeting.

Item	Context	Status
<p>s 9(2)(f)(iv)</p> <p>[Redacted]</p>	<p>s 9(2)(f)(iv)</p> <p>[Redacted]</p>	<p>s 9(2)(f)(iv)</p> <p>[Redacted]</p> <p>You may wish to discuss this item with the Minister of Transport ahead of your meeting.</p>
<p>Funding Review Update</p>	<p>The Authority's expenditure has increased by \$56m over the last five financial years.</p> <p>s 9(2)(f)(iv)</p> <p>[Redacted]</p>	<p>The Authority and Te Manatū Waka have worked together to finalise a draft Terms of Reference (ToR). We understand that you have approved the ToR but, at the time of writing, Minister Wood's approval was outstanding.</p> <p>s 9(2)(f)(iv)</p> <p>[Redacted]</p>
<p>Reserves</p>	<p>Pre-covid, the Authority's reserves totalled \$21m, providing the entity with adequate funding to maintain operations for up to nine weeks, in the event of any unforeseen shocks to its revenue and/or expenditure.</p> <p>At present, the Authority does not have any material reserves, and is unable to restore its reserves from third-party fees, charges, and levies (which must be spent before accessing the liquidity facility).</p>	<p>s 9(2)(f)(iv)</p> <p>[Redacted]</p>

Item	Context	Status
Reserves (cont'd)	In OC220210, the Minister of Transport agreed that Te Manatū Waka would investigate options to enable the Authority to restore its reserves over the short-term (before the funding and fees review is completed).	
Emerging technologies	<p>Limited aerospace expertise and knowledge in New Zealand, combined with lengthy recruitment of overseas personnel (up to 18 months), s 9(2)(g)(i)</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Cabinet has agreed to out-of-Budget funding for the Aerospace Strategy which, subject to further discussion with MBIE, may fund recruitment for some FTE in the New Technologies Regulatory Function.</p>	Te Manatū Waka will discuss the implications of any additional funding (should it crystallise) with the Authority.
Letter of Support	<p>When Cabinet agreed to lift the moratorium on funding reviews, it also agreed to support CAA and Maritime New Zealand (MNZ) to continue to operate as going concerns and to issue Letters of Support to CAA and MNZ (DEV-21-MIN-0192 refers).</p> <p>The Letters of Support acknowledge that further support may be required and that the Crown will provide such support where necessary, to maintain viability to the extent that the entities can meet statutory and regulatory functions.</p> <p>Minister Wood provided Letters of Support to the CAA and MNZ boards in November 2020 and November 2021, to enable each board to finalise its financial statements (on a going concern basis) and to receive approval from Audit NZ.</p>	Letters of Support have been prepared for CAA and MNZ. These will be provided to the Chairs shortly, following approval from the Ministers of Transport and Finance.

Annex 3: Biographies

As you have met Ms Fredric and Mr Prangnell previously, this section only contains information on Mr Manch who you are meeting for the first time.

Keith Manch, Director of Civil Aviation and Chief Executive



Keith joined the Authority from Maritime New Zealand. He has considerable experience as a Chief Executive, and in leading culture change programmes. He has a long career working in regulatory roles, the majority involving strong connection to international networks, especially with Australian jurisdictions.

Keith has been involved in developing regulatory people and organisational capability across central and local government in New Zealand since 2008.

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18 August 2022

OC220530

Hon Kieran McAnulty

Action required by:

Associate Minister of Transport

Tuesday, 23 August 2022

cc Hon Michael Wood

Minister of Transport

INTERNATIONAL CIVIL AVIATION ORGANIZATION - CLIMATE CHANGE NEGOTIATION MANDATE

Purpose

Provides background information on upcoming environmental discussions at the International Civil Aviation Organization (ICAO). It also sets out detailed advice supporting a draft Cabinet paper seeking Cabinet Economic Development Committee (DEV) agreement to a negotiating mandate to guide Aotearoa's participation for climate change discussions at the 41st ICAO General Assembly.

Key points

- A draft DEV Committee paper is attached for your consideration prior to your agreement to complete ministerial consultation. This paper seeks Cabinet agreement to a negotiating mandate to guide Aotearoa's participation in climate change discussions at the ICAO General Assembly, which is being held from 27 September to 7 October 2022 in Montreal.
- A previous ICAO climate change negotiating mandate was agreed by Cabinet in 2018 and provided a framework for Aotearoa's engagement. This now needs to be refreshed to include new issues being discussed at ICAO that may impact Aotearoa's interests, and to ensure alignment with Aotearoa's International Climate Change Engagement Plan (2022) (IEP).
- There are two key environmental matters that will be negotiated at the Assembly. These are agreement to a long-term aspirational goal (LTAG) for international aviation, and the first periodic review of the progress and effectiveness of the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA). The draft Cabinet paper negotiating mandate covers both matters.
- An agreed LTAG is important to give certainty to industry on its decarbonisation goals and will also provide confidence to states, investors and communities. It is not binding

¹ <https://www.mfat.govt.nz/assets/Environment/Climate-change/IEP.pdf>

on any individual state. If agreed at Assembly, it will set an aspirational and a long-term strategy for the sector.

- The draft Cabinet paper includes information on the sector costs and investments necessary to meet an ambitious LTAG, including material on how the proposed costs compare to a business-as-usual scenario.
- Aotearoa should support the 2022 periodic review of CORSIA. Our objective should be retaining CORSIA's ambition and continuing to accelerate the decarbonisation of the international aviation sector.
- The proposed negotiating mandate considers Aotearoa's IEP, specifically the Pacific Resilience priorities, which underpin the mandate being sought for the ICAO negotiations. Through this lens, Aotearoa should:
 - support alignment with keeping the 1.5-degree Celsius temperature goal in reach
 - consider impacts on Pacific resilience and work to limit the disproportionate negative impacts for geographically remote economies like Aotearoa, and other Pacific States
 - ensure our transition and its impact on our economy are consistent with the actions and goals of our Emissions Reduction Plan.
- Subject to the outcome of Ministerial consultation on the Cabinet paper we will provide you with the final DEV Cabinet Committee paper in time for you to sign and lodge it with the Cabinet Office by **10.00am** on **8 September 2022**.

Recommendations

We recommend you:

- 1 **note** that a draft Cabinet Economic Development (DEV) Committee Cabinet paper has been prepared for your consideration that seeks to refresh the negotiation mandate on climate change matters in advance of the upcoming International Civil Aviation Organization (ICAO) Assembly;
- 2 **note** that you will need to seek approval from the Minister of Transport to lodge the paper with the Cabinet office;
- 3 **note** that the 41st ICAO Assembly is scheduled for 27 September – 7 October 2022 in Montreal and the negotiation mandate needs to be considered by Cabinet prior to this meeting;
- 4 **note** that ICAO is the lead United Nations agency for deciding and implementing international aviation emissions reduction measures, and for determining any emissions reduction target for the sector;
- 5 **agree** to consider the draft Cabinet paper and advise transport officials of any changes you wish to make prior to commencing a two-week Ministerial consultation process;

- 6 **note** that subject to the mandate being agreed Aotearoa will participate in ICAO discussions on:
- the adoption of a long-term aspirational goal (LTAG) to reduce GHG emissions from international aviation; and
 - the 2022 periodic review of the Carbon and Offsetting Reduction Scheme for International Aviation (CORSA);
- 7 **note** that following Ministerial consultation we will provide you with the final DEV Cabinet paper in time for you to sign and lodge it with the Cabinet Office by **10.00am** on **8 September 2022**;

Joanna Pohatu

 Joanna Pohatu
 Acting Manager, Environment
 Emissions and Adaptation
 18.08.2022

 Hon Kieran McNulty
 Associate Minister of Transport
 / /

Minister's office to complete: Approved Declined

Seen by Minister Not seen by Minister

Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Joanna Pohatu, Acting Manager, Environment Emissions and Adaptation	s 9(2)(a)	✓
Daisy Cadigan, Adviser, Environment Emissions and Adaptation	s 9(2)(a)	

INTERNATIONAL CIVIL AVIATION ORGANIZATION - CLIMATE CHANGE NEGOTIATION MANDATE

Cabinet needs to consider a refreshed negotiation mandate for the upcoming International Civil Aviation Organization (ICAO) Assembly

- 1 The 41st Assembly of ICAO will take place from 27 September to 7 October 2022 in Montreal. A key part of the Assembly will be discussion and negotiations on how the international aviation sector will take further steps to decarbonise.
- 2 The attached draft Cabinet paper seeks the agreement of the Cabinet Economic Development Committee (DEV) to a negotiating mandate to guide Aotearoa's participation in climate change discussions at the Assembly meeting.
- 3 You will be delivering this paper to DEV, once final, on behalf of the Minister of Transport.
- 4 We seek your comment on the draft Cabinet paper, prior to your office commencing a two-week Ministerial consultation from 24 August. If you are happy with the draft Cabinet paper, you could choose to commence Ministerial consultation immediately.

Background

Aviation is important to Aotearoa, given our distance from other markets

- 5 Aviation's contribution to the economy is critical because of its role in both our tourism and freight sector. Aviation moves freight that has high value or is of high importance, such as medical supplies. Its freight role and its people-moving role are important to our partners in the Pacific, our social needs, and for our trade markets.
- 6 Aviation's role is not easily replaced by other modes given our distance from markets and reliance on aviation for inter-regional travel. Reducing air travel will be challenging, and therefore efforts must be made to make aviation greener, both domestically and internationally.
- 7 Aotearoa's economy requires an effective global response to climate change to continue to prosper. Our economic prosperity depends heavily on international aviation to service our export and tourism sectors, and Aotearoa consumers rely on aviation to access international goods and tourism. Our national interests would be harmed by limiting flows of people and goods, but growth in use of international transport needs to be reconciled with a global transition to a low-emissions economy. We also have a responsibility to shoulder our fair share of the short-term costs of addressing climate change.
- 8 The aviation sector is often considered hard to decarbonise given its reliance on liquid fossil fuel and the limited number of technical solutions currently available. Aviation (both domestic and international) currently contributes two percent of global carbon dioxide (CO₂) emissions, and six percent of Aotearoa's transport emissions.² Despite

² https://www.icao.int/environmental-protection/Documents/EnvironmentalReports/2019/ENVReport2019_pg111-115.pdf

the disruption caused by the impact of the COVID-19 pandemic, which saw reduced aviation emissions, the levels of CO₂ from the international aviation sector are projected to return to normal and then grow significantly over the next 30 years if action is not taken.

Pacific Island states share similar international transport needs to Aotearoa

- 9 Pacific Island states also rely on international transport to support the movement of goods and people to and from their countries.
- 10 COVID-19 saw a sharp decline in tourists and other visitors, and a full recovery of the tourism sector is not expected before 2024. The sudden halt of tourism activity and other visitors to the region has resulted in loss of economic activity, food security challenges, and job losses.
- 11 Alongside these challenges, the impacts of climate change will have a drastic impact on Pacific Island states if efforts to mitigate it are not progressed quickly. An effective response to climate change is critical to ensuring their ongoing viability.

ICAO is the body responsible to reduce international aviation emissions

- 12 The Paris Agreement has set an expectation of universal participation in the global response to climate change. The Paris Agreement has a goal of holding the increase in global temperature to well below 2-degrees Celsius and pursuing efforts to limit this to 1.5-degrees Celsius above pre-industrial levels. This goal requires emissions reduction contributions by all sectors.
- 13 Domestic aviation emissions are covered by the Paris Agreement, but it is silent on if states are required to include international aviation emissions in their nationally determined contributions (NDCs). ICAO has taken on the responsibility to reduce international aviation emissions given the challenge of assigning responsibility for a sector that crosses many States. This sits outside of NDCs.
- 14 Te Manatū Waka Ministry of Transport (the Ministry) leads Aotearoa's participation in negotiations on action to reduce the international aviation sector's emissions. Aotearoa's interests in ICAO negotiations are best served by agreement on flexible and cost-effective measures that encourage the uptake of low emission fuels, technology, and operational practices to maximise the emissions efficiency of international transport.
- 15 In the Climate Change Commission's (the Commission) advice to the Government in 2021, it commented that emissions from international aviation and shipping are not currently part of Aotearoa's 2050 emissions reduction targets. This is seen by stakeholders as an important issue. The Commission will review and provide advice to Government by 2024 on whether emissions from this sector (and international maritime) should be included in Aotearoa's domestic 2050 emission reduction target.

Aotearoa has joined other high-ambition countries to seek positive international environmental outcomes for aviation

- 16 At the UNFCCC Conference of Parties 26 (COP26) meeting in late 2021 around 25 countries joined the International Climate Ambition Coalition (IACAC), spear-headed by the United Kingdom, and signed the associated declaration. The declaration commits States to aim for net zero aviation emissions by 2050, support the strength of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), and to support an ambitious long-term aspirational goal (LTAG) to be adopted at Assembly this year.
- 17 Ahead of COP26, Aotearoa also signed up to:
 - 17.1 The Clydebank Declaration, which seeks to establish zero-emissions shipping on 6 key trade routes by 2025, with more to follow by 2030
 - 17.2 The Glasgow Breakthroughs, which agrees States to work together to make clean technologies in power, transport, steel, hydrogen and agriculture, the most affordable/attractive option by 2030
 - 17.3 A declaration to accelerating the transition to 100 percent zero emission cars and vans by 2040, and 2035 in leading markets, and;
 - 17.4 An international memorandum of understanding on Zero-Emission Medium- and Heavy-Duty Vehicles, where leading countries commit to working together to enable 100 percent zero-emission new truck and bus sales by 2040.
- 18 Aotearoa also signed up to the High Ambition Coalition, which calls on signatories to *deliver* mid-century net zero greenhouse gas (GHG) emissions goals, with strategies for their implementation that align with a 1.5°C trajectory as soon as possible.

Environmental matters for international aviation will be negotiated at the ICAO Assembly

- 19 A long-term aspirational goal (LTAG) for international aviation, and the first periodic review of the progress and effectiveness of the Carbon Offsetting Reduction Scheme for International Aviation (CORSA) will be discussed at Assembly this year.
- 20 The LTAG and CORSA are two measures that will be included as part of ICAO's basket of measures to reduce aviation emissions. Other measures include aircraft technology improvements, operational improvements, and sustainable aviation fuels.
- 21 The draft Cabinet paper provided on our negotiating mandate, covers the LTAG and CORSA; background material on these is provided below.

It is important Aotearoa is an active negotiator at the upcoming Assembly

- 22 Aotearoa's dependence on an effective global response to climate change requires that we engage coherently across multilateral processes on international climate change issues.

- 23 Consequently, Aotearoa needs an ambitious, effective and fair multilateral solution to reduce aviation emissions. Our national interest in influencing these negotiations includes:
- 23.1 ensuring measures are workable and fair, not unnecessarily complex or administratively burdensome, and serve to encourage development of mutually supportive international GHG management and trade obligations; and
 - 23.2 seeking to limit disproportionately negative impacts on Aotearoa given we are a geographically remote economy that is reliant on aviation for our economic, freight, and international connections.
- 24 Consistent with this, we need to continue to advocate for measures that align international aviation with the broader global effort to meet the temperature limit goals of the Paris Agreement. Aotearoa's International Climate Change Engagement Plan (2022)³ (IEP), sets out that Aotearoa will advocate for ICAO goals that align with 1.5° Celsius, and support effective implementation of CORSIA.
- 25 This means we will wish to see:
- 25.1 The adoption of an ambitious LTAG for aviation
 - 25.2 the continuation of CORSIA with an ambitious baseline, and;
 - 25.3 recognition and protection of the interests of Pacific Island countries and territories.

The LTAG will set an aspirational strategy for the international aviation sector

- 26 On 21 March 2022, ICAO published its technical report on the feasibility of an LTAG, which provides an evidence base for States in their considerations for Assembly. It looked at the potential of in-sector measures (technology, operations, and fuels) to reduce international aviation CO₂ emissions between 2020 and 2070.
- 27 The report conducted a first order assessment of the global costs of realising these scenarios, which showed that the costs and investments required, though significant, are manageable. Other key findings include:
- 27.1 Significant reductions can be made through in-sector measures alone, reducing emissions to around 200 million tonnes (a third of the 2019 CO₂ emissions level, with current levels at approximately one billion tonnes) in 2050, which is the most ambitious scenario.
 - 27.2 Sustainable aviation fuel (SAF) is the biggest contributing measure to achieve the emissions reductions required from the sector.
 - 27.3 Emissions cannot be reduced to zero through in-sector measures alone. Therefore, there will be residual emissions until at least to 2070 in all scenarios. To address these, out-of-sector measures (carbon removals, i.e., offsetting options) would be required to maintain incentives for decarbonisation.

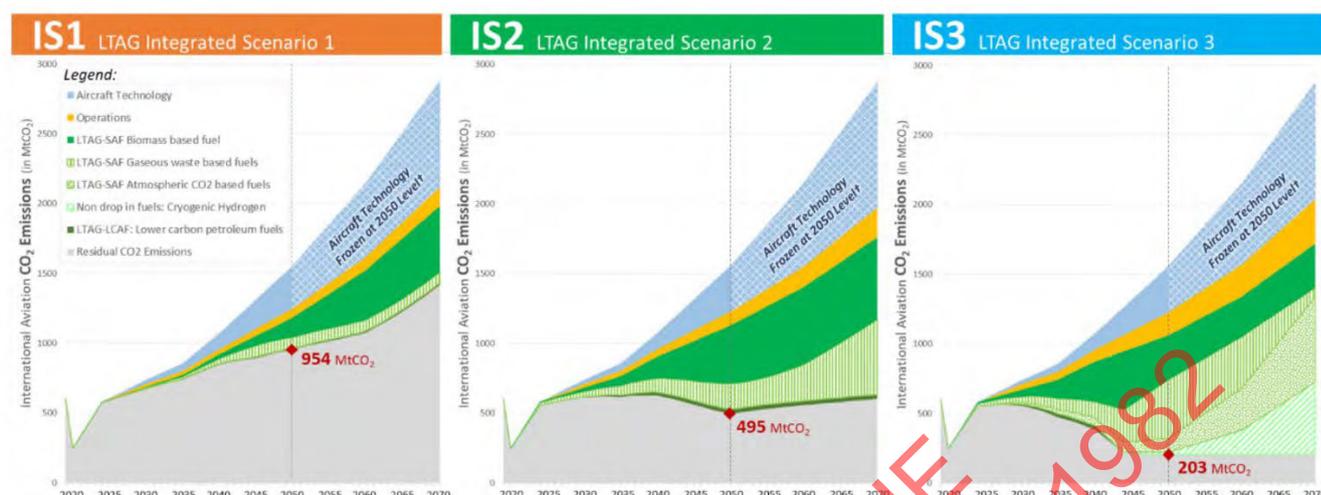
³ <https://www.mfat.govt.nz/assets/Environment/Climate-change/IEP.pdf>

- 28 An agreed LTAG is important to give certainty to industry and confidence to states, investors, and communities. An ambitious goal, agreed internationally, will enable investment in green aviation technologies by the private sector, including investment in low-carbon technologies for the growing aviation industry in developing States.
- 29 To aid negotiations at Assembly the ICAO’s technical report has provided three potential LTAG scenarios which are outlined below at a high level below:

Table one: potential LTAG scenarios

	Scenario one	Scenario two	Scenario three
Description	Low effort scenario (business-as-usual). It expects low systemic change, for example no systematic infrastructure changes.	Mid-point/moderate scenario. It assumes increased policy enablers for technology, operations and fuels, increased systemic change, but limited infrastructure changes. Assumes medium effort for delivery.	High ambition scenario. It assumes maximum policy enablers for technology, operations, and fuels, and high, internationally aligned systemic change, for example significant and broad change to airport and energy infrastructure. Highest effort for delivery.
CO₂ abatement	Emissions in 2050 would be reduced by 39% from the baseline scenario* (IS0) broken down into 20% from aircraft technologies, 4% from operations and 15% from fuels.	Emissions in 2050 would be reduced by 68% from an IS0 baseline, broken down into 21% from aircraft technologies, 6% from operations, and 41% from fuels.	Emissions in 2050 would be reduced by 87% from the baseline scenario (IS0) broken down into 21% from aircraft technologies, 11% from operations and 55% from fuels.
Costs	The acquisition of fuels by airlines could result in incremental costs compared to conventional jet fuel of \$1100 billion (out to 2050).	Incremental fuels costs would increase under scenario two to \$2700 billion (out to 2050).	In scenario 3, 100% of conventional jet fuel is replaced by sustainable fuels starting from 2040. The costs to airlines would reach \$4000 billion (out to 2050)
*All scenarios are placed in context of an Integrated Scenario 0 (IS0) which represents emission reductions through fleet evolution based on aircraft technology frozen at a 2018 level and with no additional improvements from operations and fuels.			

Figure one: three LTAG integrated scenarios



Sector costs and investments necessary to meet an ambitious LTAG are significant but the industry itself considers the costs are manageable

- 30 Although the sector costs cited in the report appear significant, these are consistent with the industry's own assessments and are not much higher than what the aviation industry would spend in a business-as-usual scenario.
- 31 The major cost is the rising price of fuel, which could increase 220 percent over thirty years in the highest ambition scenario. For context, in the last ten years, fuel costs have increased by 250 percent. Since the LTAG-Technical Group report was published in March 2022, the unit cost of jet fossil fuels has almost doubled (largely due to the invasion of Ukraine). Airlines spent \$188 billion on fuel in 2019.
- 32 In October 2021 the global air transport industry adopted a long-term climate goal of net-zero CO₂ emissions by 2050. This confirmed the commitment of the world's airlines, airports, air traffic management and the makers of aircraft and engines to reduce CO₂ emissions in support of the Paris Agreement 1.5-degree Celsius goal.

A lack of long-term action could also increase costs

- 33 Even if the industry does not pursue a net-zero pathway (with associated increase in energy costs through shifting to SAF), there will be increases in costs based on the lack of long term action: higher capital financing costs, carbon costs associated with a patchwork of climate policy measures, and higher insurance and adaptation costs of inaction related to climate change.
- 34 An ambitious LTAG would give a clear signal to attract investment in all world regions and help drive support for measures, including the infrastructure and technology that help decarbonise international aviation. The ICAO LTAG-Technical Group report noted that decarbonisation of the international aviation sector provides significant employment and economic opportunities. Failure to reach agreement is likely to lead to higher overall cost to the sector in the long-term.

Aotearoa should seek to ensure that the opportunity to set an ambitious LTAG is not missed

- 35 There were high levels of ambition among many states at a recent High-Level Meeting to discuss a proposed LTAG. Despite an LTAG not being binding to any individual States, there was some strong resistance to setting a collective goal, s 6(a)
- 36 Many developing states saw the need for an emissions reduction goal for aviation but were concerned about costs it might impose on them, particularly where their aviation sectors were still growing. There was broad support and acknowledgement by most states for the need of capacity building, financial support, and the establishment or facilitation of a fund to help developing states contribute to a goal.
- 37 There was resistance to have an LTAG of equal ambition for all States, relating to the concept of Common but Differentiated Responsibilities (CBDR). Several countries, s 6(a) insisted developed countries' historic responsibility for the build up of GHG emissions should be reflected through specific participation requirements for developed countries.
- 38 This would not be a desirable outcome. Emissions reductions must take place globally across all countries – developing and developed – if we are to limit the global temperature increase to 1.5 degrees. Accepting arbitrary application of CBDR would prejudice both the emissions reduction potential of delivery of the goal and set an unhelpful precedent for other climate negotiations.
- 39 There was also resistance to the consideration of out-of-sector measures to address residual emissions in 2050, which will be needed to reach a net zero goal. However, the LTAG is the strategy that sets direction for the sector. There may still need to be future discussions on out of sector measures. It is likely this will be discussed again in the future.
- 40 Despite resistance from some States, there was acknowledgement that a net zero CO₂ by 2050 goal would be in line with the Paris Agreement temperature goals, and with strong negotiation this could be adopted at the General Assembly.
- 41 It is important that Aotearoa negotiates for a strong LTAG at Assembly this year. This will need to involve:
- 41.1 advocating for an ambitious LTAG which aligns with the collective commitment in the Paris Agreement to pursue efforts to limit the global temperature increase to 1.5 degrees;
 - 41.2 resisting approaches to differentiate responsibilities on climate action where it is not justified, and instead encourage a 'Just Transition' approach;
 - 41.3 seeking to limit any disproportionate negative impacts for geographically remote economies like Aotearoa; and
 - 41.4 supporting our Pacific partners to participate and amplifying their voices and concerns while sensitively traversing the differences of views in the region.

The first periodic review of the CORSIA will be discussed at the Assembly

- 42 In 2013, ICAO agreed on a global aspirational goal to achieve carbon neutral growth in the international aviation sector from 2020. In 2016 CORSIA, a global market-based measure for reducing and offsetting carbon emissions in the international aviation sector, was agreed. Aotearoa agreed to participate in CORSIA in 2016.
- 43 CORSIA is not an ambitious tool to align the sector with the Paris Agreement's wider decarbonisation objectives. However, CORSIA is a necessary interim measure and is intended to only be in place until such time that sustainable aviation fuels or new technologies become more viable. At this stage, it is set to be in place until 2035, and prior to this date work will be undertaken to consider if its life should be extended.
- 44 114 States representing around 80 percent of international aviation have now volunteered to participate in CORSIA. This includes some Pacific Island States who are also receiving support from Aotearoa through the ICAO Assistance, Capacity building and Training for CORSIA (ACT-CORSIA) programme.

CORSIA's sectoral baseline will be re-evaluated as part of its review

- 45 The sectoral baseline is defined in the Assembly Resolution A40-19 (the Resolution) as the average of total CO₂ emissions for the years 2019 and 2020 on the routes covered by CORSIA offsetting each year from 2021 onwards.
- 46 In June 2020 the ICAO Council made a series of decisions for the baseline to safeguard against potential economic burden on aeroplane operators due to the COVID-19 pandemic. Council's decisions were:
- 46.1 That during the pilot phase of CORSIA, 2019 emissions shall be used for 2020 emissions. No change was made to the Resolution.
- 46.2 For future phases of CORSIA implementation beyond the pilot phase, the Council will examine the impact of COVID-19 on the CORSIA baseline, among various issues, when undertaking the 2022 CORSIA periodic review.
- 47 The sectoral baseline is part of the first periodic review that will be completed at the upcoming Assembly. ^{s 6(b)} [REDACTED] it is anticipated that ICAO will provide a range of options for States to consider, which are likely to include the following:
- 47.1 a baseline of 2019 average emissions – if agreed there is a high likelihood that this would result in little to no offsetting until the sector recovers to pre-COVID levels
- 47.2 a percentage of 2019 emissions (likely either 70 or 85 percent) – which would provide for continued high ambition and for offsetting under CORSIA to occur
- 47.3 using 2020 average emissions (which are heavily reduced due to the COVID pandemic) – which would lead to a decrease of CORSIA's ambition compared to the non-COVID-19 scenario, or
- 47.4 reverting to the average emissions of years 2019 and 2020 (as per the original Assembly Resolution A40-19) – which would retain CORSIA's ambition, and potentially increases it.

- 48 Information on what options will be provided for the negotiations is still to be confirmed by ICAO. Subsequently, the negotiation mandate on CORSIA in the draft Cabinet paper has been prepared to provide flexibility for the delegation at Assembly but emphasises that Aotearoa should seek to retain the ambition of CORSIA.

There is a risk that some States will seek to weaken CORSIA's ambition

- 49 CORSIA could be weakened or unpicked by States advocating for the CBDR principal. This outcome would seriously undermine the breakdown of bifurcated differentiation in the Paris Agreement and provide a risky precedent for ongoing rules negotiations.
- 50 Developed countries remain firm that issues of differentiation must stay true to the 'spirit of Paris', where countries' national circumstances are the arbiter of the effort they are required to commit. Aotearoa shares this position [EGI-15-MIN-0128 refers]. Demonstrable developed country leadership in reducing international aviation emissions is necessary to resist this proposal.
- 51 It is critical a satisfactory review of the Resolution is achieved to ensure the ICAO measure remains ambitious and in active use. As identified in the feasibility study for the LTAG, out of sector action will be required to manage the residual emissions that the sector cannot reduce. CORSIA is the current tool to assist with this.
- 52 We consider it is important to have buy-in from as many States as possible to implement CORSIA, rather than risk a more environmentally stringent scheme which results in less participation and less emissions coverage.
- 53 Aotearoa should support the 2022 periodic review of CORSIA, with the objectives of maintaining ambition for CORSIA and accelerating decarbonisation of the international aviation sector.

Next Steps

- 54 Officials will update you on the outcomes of the ICAO 41st Assembly, should there be implications for Aotearoa on what is agreed.
- 55 We will update and finalise the draft Cabinet paper following Ministerial consultation. To be considered by DEV on 14 September it must be signed and lodged with the Cabinet Office by **10.00am 8 September 2022**. A full timeline of actions is below.

Date	Task
23 August	Provide officials with feedback on the draft DEV paper
24 August	Officials to address feedback and return finished DEV paper
24 August-2 September	Ministerial consultation, including seeking approval from the Minister of Transport to lodge the paper
5 September-7 September	Officials to address feedback from ministerial consultation
8 September	Paper lodged with Cabinet office by 10:00am

Date	Task
14 September	DEV considers paper
19 September	Cabinet agreement confirmed
27 September - 7 October	ICAO 41 st General Assembly

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26 August 2022

OC220761

Hon Michael Wood
Minister of Transport

MEETING WITH AUCKLAND INTERNATIONAL AIRPORTS CHIEF EXECUTIVE CARRIE HURIHANGANUI

Snapshot

You are meeting with the Chief Executive of Auckland International Airport Limited, Carrie Hurihanganui, to be briefed on Auckland Airport's revised infrastructure plan.

Time and date	5-5.30pm, Wednesday, 31 August
Venue	Zoom
Attendees	Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited
Agenda	Auckland Airport's revised infrastructure plan

Contacts

Name	Telephone	First contact
Nick Paterson, Manager Resilience and Security	s 9(2)(a)	✓
Paul Fistonich, Principal Adviser Resilience and Security	s 9(2)(a)	

Meeting with Auckland International Airports Chief Executive Carrie Hurihanganui

Key points

- Auckland airport is revising its infrastructure programme that was stalled due to the COVID-19 pandemic. The infrastructure plan has changed from the pre-COVID-19 plans.
- Carrie Hurihanganui has requested a meeting to provide you with a free and frank overview of what the plans are, the thinking behind them and what the implications will be for airlines and passengers.
- The following related issues may also be raised during the discussion:
 - s 6(a), s 9(2)(f)(iv)
 - The Governments COVID-19 recovery settings.
 - Foot and Mouth Disease and the potential impact on the airport.
- Below is a brief update on these issues and some suggested speaking points.

Auckland Airports Infrastructure Plan

1. The impact of the COVID-19 pandemic has resulted in the suspension and/or cancellation of the majority of Auckland's infrastructure development plan.
2. On 27 July, Carrie Hurihanganui briefed the Border Executive Board¹ on progress in implementing its revised infrastructure plan.
3. Auckland airports revised infrastructure plan includes the redevelopment of the airport's domestic terminal and its integration with the airport's international terminal by 2028.
4. Border agencies have been regularly engaging with Auckland airport to ensure that border agencies regulatory requirements and delivery needs are accommodated within the airport's infrastructure and capital plans.

s 6(a), s 9(2)(f)(iv)

5. s 6(a), s 9(2)(f)(iv)

6. s 6(a), s 9(2)(f)(iv)

¹ The Border Executive Board consists of the following Chief Executives: Customs New Zealand (Chair); Ministry of Transport; Ministry for Primary Industries; Ministry of Health, Ministry of Foreign Affairs and Trade; Ministry of Business, Innovation, and Employment.

7. s 6(a), s 9(2)(f)(iv) [Redacted]
8. s 6(a), s 9(2)(f)(iv) [Redacted]
9. s 6(a), s 9(2)(f)(iv) [Redacted]
10. s 6(a), s 9(2)(f)(iv) [Redacted]
11. s 6(a), s 9(2)(f)(iv) [Redacted]

COVID-19 Recovery

12. The Cabinet paper on the new COVID-19 strategy is currently being prepared and it will include advice on COVID-19 measures. This paper is due for Cabinet consideration on 5 September, with announcements likely to follow in the week beginning 12 September.
13. The only current COVID-19 measure with a direct effect on Airport operations is testing on arrival, as Airport's must provide international travellers with Rapid Antigen Tests.
14. Speaking points for the Minister (if it comes up during the meeting):
 - COVID-19 measures are under review as part of the new post winter strategy which is to be considered by Cabinet shortly. (Note that the airport may ask for advance notice of decisions; this has been addressed in the draft Cabinet Paper, but only if there are significant decisions that would impact the aviation sector – likely only to apply to airlines if there is a removal of vaccination requirements).
 - For any future variant of concern, the use of border restrictions (border closures) will only be used as a measure of last resort (Minister Verrall has said this publicly).

Foot and Mouth Disease (FMD)

15. FMD is now in Indonesia. Any passengers who have been in an FMD country in the past 30 days are required to undergo MPI risk assessment and screening during the arrival process. Currently averaging 82 arrivals per day who have been in Indonesia in the last 30 days.
16. The Ministry for Primary Industries has established a task force to review and update the FMD response plans for NZ. This planning includes a series of inter-agency planning workshops for different scenarios, which the Ministry of Transport is actively engaging in.

17. Officials have noted that the additional screening could take up to five minutes per passenger, and with 18-20 flights arriving from Australia to Auckland each day, this could cause lengthy delays and disrupt airport operations. The Ministry of Transport intends to engage with the international airports² as part of the FMD readiness work.

18. Speaking points for the Minister:

- FMD is in Indonesia, which brings it closer to Australia and the Pacific Islands, and then to NZ.
- MPI has established a task force to review our readiness for FMD, and Auckland airport can expect to be invited to a workshop (or similar) by Officials.
- The FMD strategy remains 'keep it out'.
- If FMD reaches Australia, this will likely lead to biosecurity processing delays for arriving passengers (up to 5 minutes to carry out risk assessments and to disinfect shoes inside baggage, etc).

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² Auckland International Airport Limited; Wellington International Airport; Christchurch International Airport; Queenstown Airport



25 August 2022

OC220740

Hon Kieran McAnulty
Associate Minister of Transport

cc Hon Michael Wood
 Minister of Transport

MEETING WITH INTERNATIONAL AIR TRANSPORT ASSOCIATION

Snapshot

You are meeting with International Air Transport Association (IATA) Regional Vice President Asia Pacific, Philip Goh and Area Manager South West Pacific, Matteo Zanmarini.

Time and date	3.30 pm, 30 August 2022
Venue	Minister's office.
Attendees	Philip Goh - Regional Vice President Asia Pacific (ASPAC) Matteo Zanmarini - Area Manager South West Pacific.
Officials attending	TBC with your office.
Agenda	<ul style="list-style-type: none"> • Mr Goh was appointed as Regional Vice President ASPAC in September 2021 and would like to introduce himself to the Minister. • IATA would like to convey its members' gratitude and appreciation for the support that the New Zealand Government provided to IATA member airlines throughout the pandemic. • IATA can provide the Minister a high-level overview and forecast on COVID-19 recovery in the ASPAC. • IATA seeks information on foreseeable further relaxation of COVID-19 measures. • IATA would like to highlight their key industry priorities as well as seeks the support of the Ministry of Transport to address the areas of: <ul style="list-style-type: none"> • Pre-travel verification and the digitisation of the process for determining the admissibility of passengers to travel and enter a country • New Zealand Government support on the IATA-presented Working Papers at the upcoming ICAO Assembly.
Talking points	Talking points and questions are in Annex 1.

Contacts

Name	Telephone	First contact
Tom Forster, Manager Economic Regulation	s 9(2)(a)	
Sonya Van De Geer, Principal Adviser Economic Regulation	s 9(2)(a)	✓
Alessandro Aduso, Principal Policy Adviser International	s 9(2)(a)	
Shrutika Shrivastava, Adviser Economic Regulation	s 9(2)(a)	

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Meeting with International Air Transport Association (IATA)

Key points

- You are meeting with International Air Transport Association (IATA) Regional Vice President Asia Pacific (ASPAC), Philip Goh and Area Manager South West Pacific, Matteo Zanarini.
- Mr Goh was appointed as the Vice President South West Asia, IATA in September 2021 and would like to introduce himself to you.
- Mr Zanarini has previously met with Minister Wood and Minister Hipkins during COVID-19, and would like to introduce himself to you.
- We have suggested talking points and questions on the topics covered in the briefing (Annex 1).

International Air Transport Association (IATA) is the international airline trade association

- 1 IATA is the trade association for the world's airlines, representing around 290 airlines or 83% of total air traffic. IATA supports many areas of aviation activity and helps formulate industry policy on critical aviation issues.

Mr Goh would like to introduce himself to you

- 2 Mr Goh was appointed as Regional Vice President ASPAC in September 2021 and would like to introduce himself to you

IATA would like to convey its members' gratitude and appreciation for COVID support

- 3 IATA would like to convey, on behalf of its members, gratitude and appreciation for the support that the New Zealand Government provided throughout the pandemic.
- 4 The New Zealand Government supported airlines by closely liaising with them on COVID-19 measures. We provided information and guidance, held regular meetings with the sector and other agencies such as Ministry of Health and Customs, and helped feed the views of airlines through to other parts of government to inform wider decision-making.
- 5 The New Zealand Government also introduced the Maintaining International Air Connectivity (MIAC) scheme. MIAC (and its predecessor the International Air Freight Capacity scheme) has been in place since May 2020. The overall purpose of the MIAC scheme is to ensure that a minimum level of air connectivity is maintained with key markets while passenger demand is impacted by COVID-19 restrictions.

s 9(2)(b)(ii)

- 6 The scheme has provided \$475 million in funding to international airlines. It allowed \$11.599 billion in trade to occur, and has been critical to ensuring New Zealand's market position was maintained while COVID-19 impacted the international aviation sector. It also supported the flow of critical parts and medical supplies into New Zealand during the pandemic.
- 7 MIAC is in its final extension period and will be closed on 31 March 2023. Due to the way the scheme functions, support has already been ended on a number of MIAC-supported routes, and support is expected to be end on most routes prior to 31 March 2023.
- 8 The support and engagement of carriers within the MIAC scheme has been critical to ensuring the success of the scheme. The Ministry has had excellent relationships with scheme participants and works closely with airlines and the freight industry.

IATA has information on the COVID-19 recovery in Asia-Pacific (ASPAC)

- 9 IATA data for May 2022 shows that the recovery in air travel accelerated heading into the busy Northern Hemisphere summer travel season.
- 10 Many major international route areas – including within Europe, and the Middle East-North America routes - are already exceeding pre-COVID-19 levels.
- 11 Although international capacity recovery has started to accelerate for many Asia-Pacific countries, the region as a whole continues to lag other parts of the world by a significant margin.
- 12 There has been a modest acceleration since late March 2022, but capacity – as measured in weekly seats – is still 41.1% of the level at the same point in 2019. The improvement over the past four months reflects an increase in countries opening their borders.
- 13 Some parts of the Asia-Pacific region are doing well. South Asia was at 91.5% of 2019 international capacity for the week of 1 August 2022.
- 14 North East Asia on the other hand has shown very little improvement. Travel restrictions remain in place in Japan and particularly China. International capacity was at 18.9% of 2019 levels for the week of 1 August 2022. While there has been an improvement in trend since late May 2022, it is not accelerating as quickly as the other Asia-Pacific subregions.

IATA is interested in hearing about further relaxation of COVID-19 measures

- 15 There are minimal COVID-19 requirements that remain in place at the air border, including:
 - vaccination requirements for non-NZ citizens/residents (which includes aircrew and passengers)
 - post-arrival testing

- providing contact details and travel history information.
- 16 There are no further COVID restrictions on who can enter the country.
- 17 Advice on possible relaxation of these (and other COVID measures) is actively being worked on by officials. The Minister for COVID-19 Response will be taking a paper on moving to a new COVID-19 strategy and removal of measures to Cabinet Social Wellbeing Committee (SWC) on 31 August.
- 18 No decisions have been made yet by Ministers or Cabinet on relaxing or removing the remaining air border requirements.

IATA seeks New Zealand support on papers at the ICAO Assembly

IATA has prepared a number of papers for the upcoming ICAO Assembly

- 19 The International Civil Organisation (ICAO) is a specialised agency of the United Nations that fosters planning and development of safe and efficient international air transport.
- 20 ICAO assembly meets once every three years. The next ICAO assembly is between 27 September and 7 October 2022. 193 Member States and a large number of international organizations are invited to the Assembly, which establishes the worldwide policy of the Organization for the upcoming triennium.
- 21 IATA has authored seven papers out of more than 300 to be considered by the assembly. We are still working on confirming New Zealand's position on these papers.

Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

- 22 New Zealand is supportive of the intent behind IATA's paper on Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). We agree with the view that we need to retain CORSIA as an interim tool for the international aviation sector to use towards reducing emissions.
- 23 It is anticipated that there will be substantive discussion at Assembly on what the baseline should be and we appreciate IATA's views on the baseline.

s 9(2)(g)(i)



- 26 We have a Cabinet paper seeking our mandate for the upcoming Assembly and are seeking ambition to be retained for CORISA without specifying the blend for the baseline as there is still work to come from the Committee on Aviation Environmental Protection (CAEP) on this.

- 27 CAEP has been tasked with analysing options for two alternative baselines based on a percentage of 2019 replacing the 2020 emission numbers.

Pre-travel verification and the digitization of the process for determining the admissibility of passengers to travel and enter a country

- 28 Pre-travel verification implies that passengers can demonstrate to relevant authorities their compliance with entry requirements prior to travelling.

- 29 IATA has authored a paper that requests that ICAO:

- continues to develop the global interoperability framework for digital credentials, focussing on government health digital platforms and ICAO specifications for digital travel authorisation credentials.
- further develops the pre-travel verification concept with aim of moving manual document verification process away from airports for the benefit of passengers and all aviation stakeholders.
- fosters a collaborative approach between the public and private sectors for modernising passenger processes.

- 30 There have been significant challenges with verifying and assessing COVID-19 health documents. The lack of standards reduces the ability to realise the true value of digital platforms.

- 31 New Zealand Customs experience with the New Zealand Traveller Declaration found pre-departure test certificates were particularly challenging due to the private sector conducting testing but not allowed to generate certificates which were “signed” by governments. This contributed to the proliferation of different formats.

- 32 Overall we are supportive of the objectives of the paper to make improvements to automation pre-travel verification and to make air travel more efficient. We expect to be able to support elements of it from the floor but are unlikely to co-sponsor.

Biographies



Philip Goh

Mr Goh is Regional Vice President, Asia-Pacific, for the International Air Transport Association (IATA). The Asia-Pacific region comprises 37 countries and territories and more than 40 IATA member airlines. He leads IATA's efforts on safety, sustainability, and recovery of international travel from COVID-19.

Mr Goh has more than 30 years of experience in the airline industry with extensive experience working throughout the Asia-Pacific region. He has held various senior management roles at Singapore Airlines (SIA), including as Regional Vice President for South-East Asia, for South-West Pacific, and for West-Asia and Africa.

In addition to his work at SIA headquarters in Singapore, Mr Goh spent many years on Country Manager assignments across the SIA network, including a stint in London at SIA's then associate airline company Virgin Atlantic Airways heading its international sales and operations and distribution and systems, and as SIA Country General Manager for Japan, prior to his assuming various regional responsibilities.



Matteo Zanarini

Mr Zanarini is the Area Manager South West Pacific based at IATA's Sydney field office.

Mr Zanarini joined IATA in 2009 and leads a team of two staff that help and support him and the Singapore regional colleagues with member airlines, governments, and industry associations engagement. Mr Zanarini has over 30 years of industry experience.

Prior to joining IATA Mr Zanarini worked at Alitalia Airlines, where he joined the company in Sydney in 1985 and held several managerial roles in Australia, Asia and Europe.

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Annex 1: Talking Points

MEETING WITH INTERNATIONAL AIR TRANSPORT ASSOCIATION

General

- How was your meeting with the Chief Executive of Air New Zealand and BARNZ?

High-level overview and forecast on COVID-19 recovery in ASPAC

- What is your take on opening up in the China market?

Further relaxation of COVID-19 measures.

- The Government continually keeps all COVID-19 measures under review to ensure our COVID-19 response is proportionate to the public health risk.
- Ministry of Transport officials continue to facilitate engagement between aviation stakeholders, including airlines, and other government agencies. Transport officials help translate this into advice to ministers on the economic and operational implications of COVID-19 settings.
- The Government is expected to consider further advice over the coming weeks. We will share any updates with the sector as soon as possible after decisions are made.

ICAO Assembly

- Ministry of Transport and CAA officials are still working through New Zealand's position on Assembly papers.
- Overall we are supportive of the objectives of the IATA paper on pre travel verification and initiatives that can improve automation of pre-travel verification and making air travel more efficient. We may be able to support the paper from the floor.
- We agree with the view that we need to retain CORSIA as an interim tool for the international aviation sector to use towards reducing emissions. We are awaiting the further work from CAEP before finalising our position on the baseline.

IN CONFIDENCE



31 August 2022

OC220734

Hon Kieran McAnulty**Associate Minister of Transport**

cc Hon Michael Wood

Minister of Transport

THE CIVIL AVIATION BILL- PLANNING FOR IMPLEMENTATION**Purpose**

Provide an overview of the work needed to implement the Civil Aviation Bill once it is enacted. Following receipt of your comments or any further discussion, we will progress with finalising our implementation arrangements as a matter of high priority.

Key points

- The Civil Aviation Bill has been reported back from Select Committee and is awaiting Second Reading. Once the Bill is enacted, the Bill provides for an 18-month window during which it must be implemented.
- The implementation programme will be significant. It includes remaking all of the Civil Aviation Rules, regulations, orders, notices and other materials used to regulate civil aviation in New Zealand.
- As responsible Minister, you will be a key decisionmaker in remaking these instruments. Under current delegations, we anticipate Minister Wood will have responsibility for cost recovery and financial workstreams.
- Officials from the Ministry and the CAA are working together to build a programme that will ensure all statutory requirements are met and necessary work is done to transition to the new framework in a timely manner.
- The programme is complex with many moving parts. To deliver it, we will be relying on numerous people and teams with existing commitments and roles within the system, which will need to be carefully phased and prioritised.
- We will continue to keep you informed as this work progresses. We welcome any views from you on how and when you would like to be engaged.

IN CONFIDENCE

IN CONFIDENCE



Tom Forster
Manager Economic Regulation
31 / August / 2022



Hon Kieran McAnulty
Associate Minister of Transport
4 / 9 / 22

Minister's office to complete: Approved Declined
 Seen by Minister Not seen by Minister
 Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Tom Forster, Manager Economic Regulation	s 9(2)(a)	✓
Eve Tucker, Senior Adviser Economic Regulation		

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THE CIVIL AVIATION BILL- PLANNING FOR IMPLEMENTATION

Development of a cross-agency implementation programme is underway

- 1 The Ministry and the CAA are working together to develop a programme to give effect to the Bill. Implementing the new Act will be a major focus for the Ministry, the CAA and the aviation sector in the next few years.
- 2 The Bill comes into force by a date set by Order in Council. In the Bill as reported back from Select Committee, this must be no later than 18 months from when the Bill receives Royal Assent (the implementation window). This briefing focuses on the work that must be done in the implementation window. We are working to confirm that this timeframe will be sufficient to deliver the necessary projects and will engage with you further on this.
- 3 The scope of the implementation programme is limited to work that is:
 - necessary to give effect to statutory requirements in the Bill, or
 - required to facilitate smooth transition to "business as usual" when the new Act comes into force.
- 4 The implementation programme is overseen by the Civil Aviation Interagency Steering Group. That steering group comprises senior officials from both the Ministry and the CAA, as well as several of the key responsible managers.
- 5 For the most part, we are relying on existing financial and staffing arrangements to deliver the programme. As a result, the implementation programme is resource constrained, and we may struggle to deliver some elements with current resources alone, particularly alongside other priorities. In some cases, doing so may not be feasible and we expect to engage with Ministers ^{5 9(2)(1)(iv)}

The implementation programme is complex, with numerous moving parts

- 6 The programme comprises numerous interdependent workstreams and projects. The key packages are outlined at a high level below.

Implementation includes remaking secondary legislation

- 7 On commencement, the Bill revokes various pieces of secondary legislation, including regulations relating to offences, fees and charges, and the Civil Aviation Rules. It also revokes certain Notices, including those relating to aviation security. All of these instruments will need to be remade. In most cases you will need to take them through Cabinet for either its information or decision.
- 8 There are also new pieces of secondary legislation required under the Bill, for example to outline "reviewable decisions" under the new independent review function and a notice to retain the statutory monopoly for certain services provided by Airways.
- 9 We understand Minister Wood retains responsibility for the remaking of the Civil Aviation (Safety and Security) Levies Order 2002 and the Civil Aviation Charges



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Regulations (No.2) 1991. These instruments provide for the bulk of the funding for the CAA to carry out its core safety functions. We also anticipate Minister Wood has responsibility for any new or amended delegations of Minister powers or functions to the Ministry or the CAA.

Civil Aviation Rules

Remaking the Civil Aviation Rules

- 10 The Bill revokes the Civil Aviation Rules and provides for a streamlined approach to remake them.
- 11 The transitional provisions in Schedule 1 of the Bill require the Minister to certify a draft of, and then remake, all existing Civil Aviation Rules. The Bill is drafted so that remade Rules can come into effect as soon as the new Act comes into force.
- 12 The purpose of this certification and re-making process is to ensure that the Rules:
- are consistent with the new Act and any other amended frameworks
 - are accurate and coherent
 - address any transitional issues
 - operate in a way that takes into account changes in technology, and
 - if applicable, are altered to clarify intent, resolve ambiguity, or reconcile inconsistencies.

All the Civil Aviation Rules will need to be certified within approximately 12 months

- 13 There are currently 51 consolidated Rule Parts published on the CAA's website. These Rule Parts vary in size and complexity, and our initial assessment is that many of them are not directly affected by substantive policy change in the Bill. Nonetheless, remaking all of them will be a significant and time-sensitive undertaking that requires specialist input¹ and careful project management.
- 14 Not only do the Rules set the safety and security standards for the aviation system, they also underpin it. The Rules must be drafted with sufficient time to then (still before the Bill's commencement date):
- remake the Civil Aviation (Offences) Regulations 2006
 - develop guidance material for the sector on the Rules²
 - train operational CAA staff (e.g. inspectors, Aviation Security Service officers) on the new requirements, and
 - remake the necessary delegations for operational and other staff following appropriate workforce training.
- 15 Although the Bill is not yet passed, we intend to commence scoping and other early work for the Remaking Rules project now.

¹ Policy, legal, communications, subject matter experts, specialist rule drafters.

² For the most part this is likely to comprise reissuing existing guidance, but some new guidance will be necessary.

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It would be desirable to engage the sector beyond what the legislation requires

- 16 The Bill provides an explicit exemption from the usual requirement to consult when remaking the Rules. This reflects that the process is designed to carry existing Rules into the new Act.
- 17 Despite timing and resource pressures, we consider some degree of sector engagement, notification or consultation will be necessary. We are working with the CAA on a process to deliver the Rules transparently and efficiently. This includes ensuring the sector is kept informed of the work we are doing.
- 18 Any engagement would need to be tailored to reflect the varying scale and complexity of different Rule Parts, and what is necessary and achievable within the project scope.

There will be some new Rules to give effect to policy in the Bill

- 19 Alongside the Remaking Rules process, new Rules will be made to give effect to the drug and alcohol management regime introduced by the Bill. New Rules are subject to the usual statutory requirement for consultation.

Would be good to be kept updated on this

The Ministry and the CAA also need to prepare for transition to the new legislative framework

- 20 Responsibility for numerous other workstreams falls to either the Director of Civil Aviation, the CAA Board, or the Secretary for Transport.

CAA implementation

- 21 The CAA has a number of significant tasks ahead of it to give effect to the Bill. These include:
- updating internal processes, documents, IT systems etc.
 - preparing to implement the new drug and alcohol management system
 - workforce training, including for inspectors, Aviation Security Service officers, and decisionmakers
 - making and remaking delegations to CAA staff and others that reflect new statutory powers and requirements, and
 - sector engagement and education around new requirements, processes and other associated matters.
- 22 Implementation will require a significant change management process to be led across the CAA. Much of the above needs to be rolled out ahead of commencement, and will then continue as new "business as usual" processes for the organisation.

Ministry implementation

- 23 The Secretary for Transport has new regulatory functions under the Bill. In particular, the Ministry will need to support the Secretary's roles in relation to:
- international air services and the carbon offsetting and reduction scheme for international aviation (CORSIA)
 - airport regulation, including airport operator registration and Regulatory Airport Spatial Undertakings (RASUs)



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- certain aspects of international and domestic carriage of passengers and goods by air, and
 - monitoring, investigating, and enforcing matters reflected above.
- 24 We anticipate the Ministry will also host administrative services to support the new Independent Review function, as we do currently for the Medical Convener.
- 25 Work is underway to scope how we can most effectively and efficiently respond to these requirements. We will engage with Ministers further should this have significant resource or funding implications.

Communications and engagement strategy

- 26 A key tool to ensure this programme can be delivered on time and within the noted constraints is the development of a comprehensive Communications and Engagement Strategy.
- 27 The CAA and the Ministry are working together closely to develop and deliver a strategy that will keep all stakeholders, in and outside government, in the loop as the programme evolves.

Implementing the Bill will impact other workstreams and priorities in the regulatory pipeline

- 28 Implementing the Bill will become a statutory requirement following Royal Assent. However, there are also other aviation work streams that need to be progressed, either concurrently or subsequently.
- 29 Concurrent workstreams include the CAA's funding review, implementation of the Enabling Drone Integration package, and necessary Rule amendments³.
- 30 It is likely that other work will arise that needs to be considered within the timeframe of the implementation programme. This could be as a result of policy change, evolving international requirements, or because of issues raised by the sector through existing consultation and engagement processes. Similar challenges may arise for the CAA in terms of delivering operational and business as usual safety functions alongside implementation and transition to the new framework.
- 31 Trade-offs and careful prioritisation will be necessary in the absence of dedicated staff and subject matter experts for implementation. We recommend this is, for the most part, treated as an ongoing prioritisation exercise. Whether additional matters are delivered within the implementation window (but outside this programme) or are deferred until the new Act is in force would be decided on a case-by-case basis.

³ For example, to meet international obligations and evolving regulatory requirements.

Next steps

- 32 In coming months, we will deliver:
- details about the proposed Supplementary Order Paper and timing for the Bill (estimated October 2022)
 - s 9(2)(f)(iv) [REDACTED] and
 - advice on certifying the draft Rules as the associated workstreams progress (in 2023).

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