

Pricing review 2024

Summary of submissions

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Introduction

This summary of submissions seeks to give insight into the common themes in the submissions which have informed the final pricing decisions. It is not intended as a record of every viewpoint expressed by submitters.

This document doesn't include analysis to validate or invalidate any claims made by submitters.

Purpose of the pricing review

The purpose of the pricing review was to re-establish a sustainable funding model by increasing the Civil Aviation Authority's (the Authority) levies, fees and charges.

The scope of this pricing review was limited to determining how much sector funding was needed over the interim two-year period between 1 July 2025 and 30 June 2027, and how best to allocate the cost increases that occurred since the rates were last set in 2017 and 2019.

We used the information we received through consultation to:

1. assess preferences from the sector of three options relating to AvSec (the AvSec options) and three options relating to the CAA (the CAA options)
2. identify reasons for preferences and themes in the submissions
3. inform final proposals to the Minister of Transport.

About the consultation

Our consultation on the pricing review ran for six weeks, from 27 August to 8 October 2024.

A dedicated 2024 Pricing review web page was published and included the pricing review consultation document, a quick guide referring to key areas, an in-depth Cost Recovery Impact Statement, an independent Review of AvSec Assumptions by KPMG, web-based submission form and downloadable submission forms in Word and PDF format.

The consultation documentation was supported by:

- six online information sessions over a three-week period at various times of the day, to accommodate different schedules, which were attended by 58 people
- a video of one of the information sessions, which was uploaded to the web page and had been viewed approx. 250 times by the consultation close date
- a dedicated email inbox for enquiries about the pricing review and consultation process.

We also published a Question-and-Answer page that was added to throughout the consultation, with answers to queries that arose from participants at the information sessions and enquiries sent to the pricing review inbox.

Proactive communication was undertaken throughout the six-week period as follows.

- The Minister of Transport and Director of Civil Aviation introduced the 2024 Pricing review consultation at the national Aviation Industry Association New Zealand conference on 27 August 2024.
- Media release from the Authority on 27 August.
- A piece in the September issue of the CAA Briefing (quarterly e-newsletter delivered to 30k+ recipients in the aviation sector).
- Email notifications at key points: informing recipients of key dates, Q&A themes and requests for submissions (each messaging reach an audience ~30,000).
- Social media posts: Facebook, Instagram and LinkedIn.

We received 85 enquiries from the information sessions, over social media, and via emails. Some enquiries expressed views on the proposals which were subsequently reflected in submissions.

Submissions analysis: summary of common themes

We received 126 submissions on the proposals. These were all reviewed individually, and common themes were developed.

Submissions were then categorised by the type of submitter and analysed to identify key points, sub-themes and suggestions.

The following table shows the number of submissions received by category. The numbers in brackets relate to Civil Aviation Rule parts. Categories are listed in alphabetical order.

Category	Count of submissions
Air operations - agricultural (137) ¹	15
Air operations - helicopters / small aeroplanes (135)	26
Air operations - large aeroplanes (121)	4
Air operations - medium aeroplanes (125)	4
Airport / aerodrome	3
Individual	43
Industry representative org	9
Organisation other	7
Other aircraft ops - gliders/parasails/parachuting ops/hang gliders	2
Other club / association / membership org	2
Part 149 organisations	6
Training organisations	2
UAV / drone operations (101 / 102)	3

¹ Submitters in this group are also Air operations – helicopters / small aeroplanes (Part 135). They have not been counted in both categories.

Preference of options

Three options were presented in the consultation document, with Option 1 being stated as the preferred option by the Authority. The options were summarised as follows:

Options	Proposed Domestic and International Passenger Safety Levy	Proposed other charges
Status quo All fees, levies and charges remain the same as set in 2017	\$1.60 (ANZA \$1.57)	\$246.96/hr and see Appendix 5 for others
Option 1 (preferred): All fees, levies, and charges are adjusted for inflation, with funding for residual costs recovered through increasing the passenger safety levies	\$3.94 (ANZA \$3.86) +146%	\$354.19/hr and see Appendix 5 for others +43%
Option 2: Increase all fees, levies and charges by the same percentage	\$3.65 (ANZA \$3.58) +128%	\$563.31/hr +128%
Option 3: Increase passenger safety levies to cover all increased costs, with no increase to other fees, levies and charges	\$4.09 (ANZA \$4.01) +155%	No change to other fees, charges and levies

The following tables show the total count of submitters preferring each option, and the count of submitters broken down by submitter category. N/A means that there was not sufficient information in the submission to consider it as one of the other options. Where an option received no submissions, it has not been listed in the table.

CAA options

Option	Count of submissions
Option 1	12
Option 2	1
Option 3	63
No preference	27
Oppose all options	13
N/A	10

Category & option	Count of submissions
Air ops - ag (137)	15
Option 3	4
No preference	8
Oppose all options	3
Air ops - helis / small (135)	26
Option 1	1
Option 3	13
No preference	5
Oppose all options	5
N/A	2
Air ops - large (121)	4
Option 3	1
No preference	2
Oppose all options	1
Air ops - medium (125)	4
Option 1	1
Option 3	1
No preference	2
Airport / aerodrome	3
Option 1	3
Individual	43
Option 1	5
Option 2	1
Option 3	28
No preference	3
Oppose all options	1
N/A	5
Industry representative org	9
Option 1	1
Option 3	3
No preference	4
Oppose all options	1
Organisation other	7
Option 1	1
Option 3	1

No preference	2
N/A	3
Other aircraft ops - gliders/parasails/parachuting ops/hang gliders	2
Option 3	2
Other club / association / membership org	2
Option 3	2
Part 149 org	6
Option 3	5
Oppose all options	1
Training org / aero club	2
Option 3	1
Oppose all options	1
UAV / drone ops (101 / 102)	3
Option 3	2
No preference	1

AvSec options

Option	Count of submissions
Option 1	20
Option 2	11
Option 3	21
No preference	43
Oppose all options	8
N/A	23

Category & option	Count of submissions
Air ops - ag (137)	15
Option 1	1
Option 2	1
No preference	11
Oppose all options	2
Air ops - helis / small (135)	26
Option 1	5
Option 2	4
Option 3	2
No preference	8
Oppose all options	4
N/A	3
Air ops - large (121)	4
Option 1	1
Option 3	1
No preference	2
Air ops - medium (125)	4
No preference	4
Airport / aerodrome	3
Option 1	3
Individual	43
Option 1	9
Option 2	4
Option 3	12
No preference	8
Oppose all options	1
N/A	9
Industry representative org	9
Option 1	1
Option 2	1
Option 3	1

No preference	4
N/A	2
Organisation other	7
No preference	2
Option 3	1
N/A	4
Other aircraft ops - gliders/parasails/parachuting ops/hang gliders	2
Option 3	2
Other club / association / membership org	2
N/A	1
Option 3	1
Part 149 org	6
Option 3	1
No preference	3
N/A	2
Training org / aero club	2
Oppose all options	1
N/A	1
UAV / drone ops (101 / 102)	3
Option 2	1
No preference	1
N/A	1

Submission themes

The following table shows themes and sub-themes which were identified in the submissions analysis, with the number of submissions which expressed the same or similar sentiments.

These themes are not listed in a particular order.

Theme and sub-theme	Count of submissions
Theme 1: the sector cannot afford the price increases	
Fees are already too high	26
Unfair for recreational pilots who have no way of passing on increased costs	3
Sector struggling in current economic climate	49
New pilots will be discouraged from entering the sector/pool of pilots will reduce	13
Theme 2: proposed price increases will harm the aviation sector	
Compliance will suffer, leading to a less safe aviation sector	15
Viability of GA will suffer/operators will leave the sector	43
Theme 3: price increases should be targeted at those who gain the most benefit from the Authority	
Fee increases should be focussed on the commercially travelling public	26
AvSec costs should be limited to those that benefit from AvSec services	3
Fees on agricultural aviation sector are disproportionate	32
Recreational pilots barely interact with the Authority	3
Theme 4: issues with the Authority as a regulator	
The Authority is inefficient and should focus on making savings	65
The Authority is not trusted/isn't effective	42
Theme 5: Comments on the funding model and/or proposed alternative funding mechanisms	
The Authority Should be funded by the taxpayer/government	41
Propose alternative funding model/mechanism	41
Questioning validity of data used in consultation document	39
Other	
Price increases should be spread evenly	1
Consultation period too short/insufficient	25
Desire a first principles review ASAP	32
Price changes happen too soon for costs to be absorbed	8
Undermined viability of GA will harm rural/regional communities	3

Submission analysis: detailed

Limited support for the proposal

The submissions were from a broad range of stakeholders in the aviation sector and included airlines and airports, industry representative organisations, general aviation and participants. There were consistent views that the review came at a time when the sector is facing significant financial challenges, including:

- the impact of further increases in the international visitor levies and immigration fees and levies, and lower passenger forecasts (expressed by large airline operators, airports, industry representative organisations), contributing to a sense of being “overtaxed”
- high costs and inflation more generally (expressed by general aviation, tourism, recreation, agriculture, participants).

Cost for airports, airlines and industry representatives

Those in the sector that pay the passenger safety levies tended to support Option 1 or did not provide a preference – and were clear that they did not support Option 3. Their reasonings for preferring Option 1 included the following.

- For domestic travel, this was seen as a significant impact with the combined CAA and AvSec levy increase (where applicable) amounting to a 78 percent lift in Authority costs for many domestic flights. For international travel, higher costs had the real potential to lead to spiralling costs for travellers and New Zealand pricing itself out of the international tourism market.
- For the CAA safety levy Option 3 (to increase passenger safety levies to cover all increased costs, with no increase to other fees, levies and charges) was strongly opposed.
- Increased costs for passengers pose risks to tourism, and to New Zealand’s international and domestic connectivity.
- Irrespective of the post-COVID growth the NZ market, the taxes and charges imposed by the government and airports remain high.
- Restoring the Authority to a sustainable funding position must not inappropriately impact this critically important international and domestic connectivity.
- The modelling indicated that the CAA and AvSec levy increases could lead to a decrease in international travel of 0.33 percent and domestic travel of 1.08 percent.
- They were concerned that individual agency decisions were being made in isolation without oversight as to the true costs facing consumers.
- They recommended the approach to minimise increases initially and adjust these levels if the Authority is underperforming against its forecasts.

Costs for general aviation sector

Most submissions that preferred Option 3 were from the general aviation sector. These included agricultural, tourism and other small commercial operators, as well as recreational fliers, flight schools and aeroclubs. Their reasons for preferring Option 3 included the following.

- The proposed price increases would harm the aviation sector. The viability of the general aviation sector would suffer, and operators will leave the sector. There was also a concern that compliance would suffer and lead to a less safe aviation sector.
- Price increases should be targeted at those who gain the most benefit from the work the Authority does to support safety and security outcomes and should be focused on the travelling public.
- The increases for the general aviation sector were disproportionate and unfair compared to a slight increase per passenger. Some sectors, such as the agricultural sector, believe their fees, levies and charges were already disproportionately high.
- The New Zealand Aviation Federation said that Option 3 takes a degree of financial pressure off the aviation participants and allow time for the first principles funding review to be completed with full consultation.

Funding model

It was noted the Authority was being increasingly asked to support new (non-traditional) aviation participants and suggests reliance on airlines and their passengers to financially support this was inappropriate.

The costs should be incurred by the organisations and investors seeking to make financial returns and those who specifically benefit from the services. The diverse and broad operating nature of the space and advanced aviation sectors are both the risk exacerbators and the beneficiaries of all the Authority's system level costs in support of those sectors.

The Authority provides both a public good and a private good service and the levy would be better funded through the Crown appropriation.

There was strong agreement the Authority should not redirect resources away from policy and rules development and to maintain or support increasing the Authority's engagement resource.

The work of the Authority's engagement role for improving aviation safety was seen as essential part of its function, by setting best practice into the real environment and targeting more challenging and less engaged users. It should be considered a core, not a discretionary, function at the Authority.

Airports, airlines and industry representatives said that while it is technically correct to identify passengers as the largest group of beneficiaries from a safe aviation system, passenger and freight operations should be considered a public good.

The airlines support concerns raised by the Board of Airline Representatives of New Zealand (BARNZ) that the Crown does not adequately fund the Authority on the necessary policy and rule development functions.

Any ongoing reliance on airlines and their passengers to financially support this rule development and system level work by the Authority was inappropriate and should be Crown funded or alternately funded by those who would seek to extract profit from these specific activities.

General aviation participants said that the Authority should review its structures and procedures with an emphasis on reducing unnecessary duplication and increasing efficiencies. They felt that airlines paying a little more, recovered from passengers, would have a lesser impact than small aviation businesses facing increased costs of thousands of dollars per year that they could not recoup from their volunteers or members. They further questioned the current hourly rate for any 'work' as the charge cost was more in line with professional fees while much of the work is clerical. LTSA charge \$9 to change the ownership of a vehicle while the Authority charges \$228 with a proposal of \$328.

Alternative funding mechanisms

Submissions offered out-of-scope recommendations for other funding models. These can be explored through the first principles review.

- The Authority provides both a public good and private good services that would be better funded through the Crown appropriation.
- Create savings by delegating authority for the initial inspection of an aircraft coming into the country. This could be audited by the Authority if needed.
- Initiate a system for risk-based tiers, activity-based levies to support general aviation and phased increases to not impact already published airfares.
- Explore more private sector inputs into certification, rules and aviation security processes.
- Allow for truncated 'fast track' rule change process for minor issues.
- Implement digital innovation to fully accelerate high volume certification processes.
- Advances in IT could provide considerable cost savings of many of the lesser functions of the Authority.
- Impose a levy on aviation fuel to fund the Authority.
- Central funds to maintain and operate air services as funds are used to deliver safe roading.
- Recreation aviation benefits the wider public interest so its safety regulations should be funded by the taxpayer in similar fashion to recreational sailing or boating.
- Identify where costs could be reduced for participants in other areas, such as Government funding MetService to provide additional meteorological information to operators free-of-charge to improve safety outcomes.

Submissions also suggested that the Authority could save costs and speed up processing by:

- exploring more private sector inputs into certification, rules and aviation security processes
- allowing for truncated 'fast track' rule change process for minor issues
- implementing digital innovation to fully accelerate high volume certification processes.

Consultation and first principles

Some submitters believed that the consultation period was too short, they were not fully engaged with and/or want the first principles review.

Large airlines and industry representative organisations

They iterated the expansive network and influence they had on New Zealand's economy and felt the engagement process did not reflect their significant contribution to the NZ tourism sector and wider businesses flow on. Airlines commented that further cost increases could reduce their services (both domestic and international flights).

The Authority was encouraged to undertake an authentic and open engagement process to provide confidence to the aviation industry that their concerns were being genuinely considered.

The consultation was perceived as a fast-track approach to this pricing proposal and that the information provided had lacked meaningful understanding, particularly-for-profit organisations.

First principles and across-agency efficiencies

The sector wants the first principles funding review to allow for more time for a fuller consultation with the aviation sector, and for a concurrent principles review of AvSec to look at the cost recovery and funding model more broadly.

There was consistent agreement that the Ministry of Transport should conduct modelling that incorporated all agency cost increases to provide Ministers with clear insights on the impact of not just the Authority increases, but all government fee and levy increases since 2023.

They want to be involved in the funding methodology review / first principles scheduled for 2025. More time would allow for a thorough look at ensuring New Zealand has a regulatory funding system that lets the aviation sector operate and grow so it can serve NZ economically.

Key stakeholder analysis

The Authority separately analysed the observations and recommendations of large airline operators and organisations because they represented large membership bases and/or they pay a large proportion of levies and fees in comparison to other operators in the sector.

Large airline operators

The following is a summary of the key themes identified from Air New Zealand, The Qantas Group, United Airlines Inc and Virgin Australia Holdings Pty Ltd. Overall, the large airlines were consistent in their views and requested more direct engagement and a review of the first principles and Crown funding. Only those themes which received focussed commentary are included below for this group.

Theme 1: Sector cannot afford the price increases

Agencies are making pricing decisions in isolation without considering the collective impact of increasing costs imposed on the aviation sector.

The review came at a time when the sector is facing significant operational and financial challenges. They are seeing increases in costs across the board, which flow through to customers in airfares. Some believed that this would make New Zealand one of the most expensive countries globally for aeronautical-related passenger fees.

They have stated that irrespective of the post-COVID growth the NZ market, the taxes and charges imposed by the government and airports remain high.

Analysis should consider the impact of other charges on fare levels.

The submitters referred to other recent border related levy increases (e.g. the International Visitor Levy) and Auckland Airport's visa fees and cost pressures have made New Zealand a challenging cost environment.

They are concerned that individual agency decisions are being made in isolation without an overall view as to the true costs facing consumers.

The high level of cost increases and the potential impact on demand could lead to a reduced carrier presence in the New Zealand market.

They suggest a better approach would be to minimise increases initially and adjust these levels if the Authority is underperforming against its forecasts.

Theme 4: Issues with the Authority's efficiency and effectiveness

The submitters believe there had not been a thorough review of the Authority, and that operational efficiency remained paramount to a sustainable price outcome.

It was not clear if the Authority had explored all avenues for achieving efficiencies and recommends a further review to ensure it will be delivering value-for-money.

The reasons put forward by the Authority were insufficient and did not provide evidence to justify increase for its services and for AvSec services.

A series of recommendations were made on how the Authority could be more efficient. These included process efficiencies through digitisation, focus on core roles of certification, exemplars for security lane throughput and security wait, enhanced imaging technology lanes and security charges funded by the airports.

Further information was wanted about the Authority's efforts to efficiently manage its own cost structure and cost pressures to maintain financial viability without negative impacts on its service performance levels.

Theme 5: Funding model and proposed alternative funding mechanisms

The submitters were concerned about the low level of funding Crown funding and requested a benchmark review of NZ to other international approaches.

There was a consistent theme that the Authority provides both a public good and private good services and the levy is already funding activities that would be better funded through the Crown appropriation.

The airlines support concerns raised by the Board of Airline Representatives of New Zealand (BARNZ) that the Crown does not adequately fund the Authority on the necessary policy and rule development functions.

They suggested that any ongoing reliance on airlines and their passengers to financially support this rule development and system level work by the Authority was inappropriate. It should be Crown funded or alternately funded by those who would seek to extract profit from these specific activities.

They questioned why AvSec had expanded beyond its core passenger and baggage screening roles, and whether these additional activities should be funded through the security levy or whether alternative funding mechanism could be explored.

Additional benchmarking analysis needed

While they recognised the challenges in making direct comparisons between other international aviation regulators, they noted that comparable regulators receive some level of government funding.

For example, CASA receives 39 percent of its funding through government appropriation which acknowledges both its public good benefit and the need to fund activities not directly tied to cost-recovered regulatory service provision.

They made several comparisons to international charging regimes.

Other: Consultation period, questions validity of assumptions

The submitters expressed the consultation period was too short, they were not fully engaged with and want the first principles review.

The large airlines believed that the consultation period was brief, and the Authority had not engaged with airlines in respect of its intention to materially increase its prices.

Tickets to New Zealand had already been sold for travel occurring after the implementation date and the Authority has provided insufficient notice to enable airlines to adjust prices. The increased passenger safety/security levies should only apply to tickets issued on and after implementation date.

Additional benchmarking analysis needed as context for the proposed changes

Air New Zealand expressed its disappointment that a more fundamental first principles review was deferred. They made note that in the last review in 2019/20, the Authority identified the airline contributed 73 percent of the the Authority's total revenue (the 2019-20 review did not cover the AvSec levies).

United Airlines felt the preferred option with higher international taxes unfairly penalised international passengers by subsidising some of the costs for domestic passengers.

Virgin Australia submitted that the consultation period was 'woefully inadequate' to enable a thorough review of implications across the network. For comparison, the consultation process conducted by Airservices Australia commenced 30 November 2023 with an outcome expected 12 months later.

The Qantas Group said that while they looked forward to commencing additional flying in the New Zealand market, the cumulative cost increases in the operating environment need to be factored in decisions to expand services. This was particularly important for a low-cost carrier like Jetstar which would need to review the sustainability of its model in New Zealand going forward.

The airlines encouraged the Authority to undertake an authentic and open engagement process to provide confidence to the airline industry and travellers that their concerns were being genuinely considered. They want to be involved in the funding methodology review scheduled to commence in 2025.

Industry representative organisations

The following is a summary of the key themes identified from Aviation Industry Association New Zealand, Aviation Industry New Zealand Operational Division, Aircraft Owners and Pilots Association of New Zealand, the Board of Airline Representatives of New Zealand, Flying New Zealand (RNZAC) Instructor Council, New Zealand Aviation Federation, International Air Transport Association, New Zealand Agricultural Aviation Association and New Zealand Airports (including separate submissions by Auckland Airport, Christchurch Airport and Queenstown Airport).

Overall, there were two extreme differences of opinions depending on their membership within the industry sector: those involved in domestic and international operations and those in general aviation.

Theme 1: Sector cannot afford the price increases

There were concerns that the proposal would negatively impact New Zealand international and national airways.

The industry representative organisations agreed that the pricing review proposal would have a negative economic impact. They questioned the timing of the review when many aviation companies were in a delicately balanced financial position or had already been impacted by further increases with international visitors levies and immigration fees and levies.

Airports were concerned that New Zealand was becoming an increasingly high-cost destination. They stated that restoring the Authority to a sustainable funding position must not inappropriately impact this critically important international and domestic connectivity.

The modelling indicated that CAA and AvSec levy increases could lead to a decrease in international travel of 0.33 percent and domestic travel of 1.08 percent.

For domestic travel, this is significant impact. CAA and AvSec levy increases amount to a 78 percent lift in CAA costs on a domestic flight (where applicable). For international travel, higher costs have the real potential to lead to a spiralling cycle of higher costs for travellers and New Zealand pricing itself out of the international tourism market.

The CAA safety levy in Option 3 to increase passenger safety levies to cover all increased costs, with no increase to other fees, levies and charges, was strongly opposed.

Significant economic decline

For the continued growth and strength of General Aviation it was important to recognise flight training as the foundation of the aviation industry. Since COVID-19, the flight-training organisations have been impacted by financial stress and operational threats.

Given the current fiscal climate, it was unrealistic that aircraft operators' and pilots' costs should increase funding to the Authority.

Members representing the agricultural aviation have shown the sector had declined significantly due to the economic downturn in the primary sector.

Post-COVID, agricultural aviation had declined further. Total tonnage of agricultural products supplied by air declined 52 percent in the first quarter of 2024 compared to the first quarter of 2022. Total hours declined by 36 percent in the same period.

Theme 2: The proposed price increases will harm the aviation sector

The proposed increase in fees could significantly hinder growth of General Aviation (GA) operators, making it challenging for them to sustain viable business within the New Zealand economy.

The sector said any increase in fees will reduce the capacity for individual operators to invest in critical safety enhancements and pilot training.

It would also create an additional barrier for new entrants in the aviation sector and diminish the talent pool and stifle industry growth.

Training organisations rely on attracting and retaining staff. Additional costs make this more difficult, and retention suffers as the capacity for remuneration is impacted by rising costs to the organisation and instructors experience higher financial pressure to move on.

Additional expenses would impact negatively right through the sector including culturally as it further reduces accessibility for only those few who can afford the career training and reduced the chances for careers from the wider community.

It did not agree that current General Aviation safety and compliance standards would be at risk due to changes in the Authority funding. Safety margins should not diminish because of personnel shortages within the Authority, GA safety protocols remain robust regardless of funding levels.

Theme 3: Price increases should be targeted at those who gain the most benefit from the Authority

The airline operators and New Zealand airports believe the Authority is being extended beyond its core role and they and the general aviation sector were funding those organisations who benefited.

It was noted the Authority was increasingly asked to support non-traditional aviation sector and suggests reliance on airlines and their passengers to financially support this was inappropriate.

They recommend the costs should be incurred by the organisations and investors seeking to make financial returns and specifically benefit from these services. The diverse and broad operating nature of the space and advanced aviation sectors are seen as both the risk exacerbators and the beneficiaries of all the Authority's system level costs in support of those sectors.

Airports want the Authority to consider options to better leverage international partnerships to reduce New Zealand specific regulatory requirements. The Authority has strong international partnerships and ask if these can be used to reduce the New Zealand-specific workload the Authority carries for certifications and rule processes.

The Authority should explore the 'rule of two' principle introduced by the Government in relation to Medsafe (or an equivalent idea more relevant to civil aviation) to see how it can leverage larger jurisdictions' regulatory processes to allow the Authority to focus on the New Zealand context only.

Increases are disproportionate and unfair to the General Aviation sector

It was further felt that fees on the agricultural aviation were disproportionate as the risk to the public activities in rural areas were less than the risk of air transport operations. Fees should be focussed on the commercially travelling public.

The current framework of the CAA levies for the agricultural aviation sector are:

- unreasonable compared to those charged throughout the wider the aviation sector
- inequitable and place a disproportionate burden on the sector
- placing undue competitive pressures on companies
- do not deliver tangible results for the agricultural aviation sector.

It was noted that the consultation documents did not consider the current state of the primary sector or address the economic impacts on New Zealand's largest contributor to GDP.

Theme 4: Raised issues with the Authority's efficiency and effectiveness

The industry representative organisations' views were consistent with the large airline operators that there is insufficient evidence to justify increase for the Authority's services, especially AvSec.

Submitters believed that the Authority is rigid in its role and organisations further want to see value-for-money when there was insufficient visibility of efficiency.

They also felt it was difficult to get clear answers from Authority staff on their regulatory questions and that they had failed to deliver promised benefits of safety regulation to GA.

AvSec and KPMG principles

The KPMG report did not reassure the sector about the AvSec's modelling validity, as the evaluation was based on the current AvSec operations. It did not consider if this was the most cost effective and efficient approach.

Submitters believed the report did not extend to consider if AvSec could deliver the same security outcomes by alternative procedures that may involve staffing efficiencies and associated costs.

It was understood that a separate project was underway on delivering aviation security services, but they felt it was difficult to establish the true costs of operating the CAA and AvSec in the amalgamated pricing review.

Questions were asked as to why there was a need for a new security designated airport, additional staffing for non-passenger screening, and if for the remote screenings there was potential for staffing efficiencies and cost savings, and when.

In the smaller regions, there was consistent agreement that the current AvSec model was unsustainable and did not consider the needs of the smaller airports. Instead, a national staffing structure was imposed that does not work for a regional structure.

Recommendations were made, primarily for AvSec, that its operation and process efficiencies – such as digitisation – focus more on core roles and security areas where there should be consideration on cost impacts. For the smaller airports there was a request to consider local team rostering changes or multi-mandate staff to undertake a wider range of functions.

Theme 5: Funding model and proposed alternative funding mechanisms

The submitters were concerned about the low level of funding Crown funding and suggested alternative approaches.

There was strong agreement the Authority should not redirect resources away from policy and rules development and to maintain or support increasing the Authority's engagement resource.

Policy and rule development work that supported specific government objectives and providing policy advice to government should be Crown funded and not by airlines and their passengers.

While it is technically correct to identify passengers as the largest group of beneficiaries from a safe aviation system, passenger and freight operations should be considered a public good.

Other: Consultation period, questions validity of assumptions

More engagement was wanted to quantify the proposals concurrently with AvSec and other agencies as a group. Recommendations to be part of the first principles review.

The proposals were lacking, and it was difficult for them to establish the true costs of operating 'regulatory CAA' from the costs of operating CAA and AvSec. More meaningful discussion was required about what aviation participants should be contributing to the regulator.

They emphasised the expansive network and influence they had on New Zealand's economy and felt the engagement process did not reflect their significant value.

Comments included that their geographic spread was nation-wide while their global reach underpin the 'Brand New Zealand' to inbound tourists and businesses reliant on-air connectivity such as ground handlers, catering companies and waste management businesses.

Others were similarly unconvinced and see this review as an attempt for the Authority to get income as high as possible before the promised first principles review.

First principles and across-agency efficiencies

It was considered that activity intended to deliver a public good was heavily and inappropriately cross-subsidised via the passenger levy. The issues of public good and private good services, when evaluating cost allocation to specific users versus passenger fees, should be reviewed as part of the first principles.

There was consistent agreement that the Ministry of Transport should conduct modelling that incorporated all agency cost increases and provide it to the Minister for a clear insight on the impact of all government fee and levy increases since 2023, not just the Authority increases.

This includes aviation-related functions of the Ministry of Transport, Ministry of Business, Innovation and Employment, New Zealand Customs, Ministry for Primary Industries Biosecurity function, and Airways, in the scope of the first principles review of the Authority to ensure cross-agency efficiencies and system gaps are captured during the process.

The sector wants the first principles funding review to allow for more time for a fuller consultation with the aviation sector and a concurrent review of AvSec delivery to look at the cost recovery and funding model more broadly.

More time would allow for a thorough look at ensuring New Zealand has a regulatory funding system that lets the aviation sector operate and grow so it can serve the country economically.

General aviation: Part 149 organisations

The following is a summary of the key themes identified from Flying New Zealand (RNZAC), Gliding New Zealand Inc, New Zealand Parachute Industry Association, New Zealand Hang Gliding and

Paragliding Association, New Zealand Warbirds Association and Recreational Aircraft Association of New Zealand.

In New Zealand is made up by small business operator, clubs and associations with an army of volunteers that contribute in many ways to the greater economy.

Theme 1: Sector cannot afford the price increases

The new proposal would add significantly on an already overtaxed sector.

Over the past five years the General Aviation sector has suffered significantly through closed borders, lockdowns.

Significant increases across board

The GA has faced rising fuel prices, airport landing charges, airways charges, cost of maintenance and aircraft hangarage insurance and for individuals to maintain their licences and ratings.

They acknowledged that the consultation documented the importance for growth and strength of General Aviation in New Zealand. However, there was no acknowledgement of the financial stress and operational threats that many flight-training organisations have faced, like the Authority, since COVID first impacted the country.

Safety regulations

The General Aviation sector believes they already provide the safety regulations on behalf of the Authority and were paying certification fees to the Authority for the privilege of doing so.

The additional expenses would impact negatively right through the General Aviation sector, and all have said the proposed hourly rate increase is unacceptable.

They consider a 43 percent increase in OP Safety Levy Part 115 Launch/Descent as another tax levied without any tangible benefit to the sector and appeared arbitrary in that it conveniently fixed the Authority's financial problem.

It would have a significant impact on the not-for-profit organisations. Especially as the recertification process usually involves two or more Authority staff on site. Net result could run into a couple of thousand extra in costs, meaning increased fees on small volunteer organisations reliant primarily on volunteers and part time staff.

Theme 2: The proposed price increases will harm the aviation sector

Flight training is the foundation of the aviation industry in New Zealand.

These organisations play a significant part in the upskilling of many New Zealanders in technical and qualifications that contribute to the workforce that is essential to maintaining and expanding other income generating sectors of NZ, such as agriculture, tourism and transportation.

Training organisations rely on attracting and retaining Instructor staff – additional costs make this more difficult on the staff (costs to achieve ratings) and organisations if they elect to assist. Retention suffers as the capacity for remuneration is impacted by rising costs to the organisation, and the instructors experience a higher financial pressure to move on.

The continual effort made by sector volunteers to train pilots, to maintain their competency, and to administer the safety of club flying operations should not be underestimated. If there was a significant decline due to cost pressures, the Authority would not be well placed to take over safety regulatory functions.

The volunteer expertise provides safety regulations on behalf of the Authority and are paying certification fees to the Authority for the privilege of doing so.

If a significant increase in CAA fees and levies of 43 percent were added in the current costs, there would be a further decrease in flying rates and degradation in pilot currency for those who continue to fly. This would see a loss of existing participants and a reduction in the number of new participants who might choose to pursue a career in the aviation sector.

The effect of this will be a greater reduction in aviation safety, less participants to pay levies and a void of expertise to keep the sector running in the future.

Theme 3: Price increases should be targeted at those who gain the most benefit from the Authority

Overall, the sector believed that Option 1 increase of 43 percent was unaffordable, and Option 3 was the logical choice to increase passenger safety levies to cover all increased costs, with no increase to other fees, levies and charges. They believe this option was the most affordable as it would be funded by the sector that benefited the most by the Authority providing a safe and efficient aviation environment.

They recommended that airlines pass on an increased cost of \$0.15 per passenger to minimise the impact rather than increasing the cost of small aviation business by thousands of dollars per year. They noted that a passenger would not notice the increase of levy as a percentage of a ticket price.

Theme 4: Raised issues with the Authority's efficiency and effectiveness

The sector does not believe that increased costs are justified, both because of the current environment and the inefficiencies in the system.

At a time when all government departments are being asked to reduce spending, it was seen as difficult to understand how the Authority was proposing to significantly increase headcount and spending. It appeared that because the Authority can, it was introducing a higher user funding model without any effort to improve efficiency and reduce costs.

The proposed hourly rate increase was seen as:

- unacceptable for an organisation that is inefficient with its time and resources and has little knowledge of their sector
- another punishment to small business who already have high compliance cost obligations.

Their opinion was that KPMG had only looked at the AvSec portion of the organisation and that another independent review should be conducted at the Authority's core functions for more efficiency gain within the organisation.

Financial strain on voluntary organisation is not helped by certain Civil Aviation rules that have become outdated or were simply not fit-for-purpose since its inception 30 years ago.

For example, areas have evolved such as Hang Gliding and Paragliding to now include Speedwing Flying into the Association in 2021 at the request of the Authority and at cost to the Association to implement and manage.

New Zealand is home to the most over regulated skydiving industry in the world. This stems from a history where the sector was clumped together with a range of adventure aviation sectors in a "not fit-for-purpose" group of rules made by people who were not SMEs, nor did they consult SMEs.

They questioned the knowledge, experience and expertise of the SMEs told to be used by the Authority for their sector. Such as Part 105 is extremely outdated, and Part 115 does little to enhance safety due to its flawed understanding of the sector.

Theme 5: Funding model and proposed alternative funding mechanisms

The sector wants the Authority to explore further funding models.

Regarding feedback that the Authority review its structures and procedures, feedback from this group included the following recommendations.

- Create savings by agreeing that the GA be given authority for the initial inspection of an aircraft coming into the country as many aircraft entering are under an identical type of acceptance. This could be audited by the Authority if needed.
- Change the current charge of hour for any 'work.' For example, it was questioned why the current charges cost in line with professional fees while much of the work is clerical. LTSA charge \$9 to change the ownership of a vehicle while the Authority charges \$228 with a proposal of \$328.
- Due to the enhanced wellbeing of its participants, recreation aviation benefits the wider public interest so its safety regulations should be funded by the taxpayer in similar fashion to recreational sailing / boating.
- Pass on airline cost of \$0.15 per passenger as it would have less of an impact than by increasing the cost of small aviation business by thousands of dollars per year.
- Advances in IT could provide considerable cost savings of many of the lesser functions of the Authority.
- Identify where costs could be reduced in other areas, such as funding MetService to provide additional meteorological information to operators free-of-charge to improve safety outcomes.

The non-commercial not-for-profit 149 organisations operate on 'an army' of volunteers and membership fees for the social good and that the aviation industry benefits the good of the country. The Kaikoura earthquakes and Wairoa floods were examples of this. Like Maritime New Zealand, which does receive Crown funding, they believe that the Authority should also receive a portion of their funding from the Crown.

Other: Consultation period, questions validity of assumptions

The sector wants more meaningful engagement from the Authority.

It was perceived that the Authority attempted to influence the funding review direction by repeatedly promoting Option 1 in all documentation and presentations.²

² It is standard practice in consultations of this nature to identify a preferred option and communicate that consistently across documentation.

Appendix 1: full list of submitter organisations

Industry representative organisations

Aviation Industry Association New Zealand (AIANZ)
AIANZ Operational Division
Aircraft Owners and Pilots Association of New Zealand (NZ AOPA)
Board of Airline Representatives of New Zealand (BARNZ)
Flying New Zealand (RNZAC) Instructor Council
New Zealand Aviation Federation (NZAF)
International Air Transport Association (IATA)
New Zealand Agricultural Aviation Association NZAAA
New Zealand Airports Association

Airport companies

Auckland Airport
Christchurch Airport
Queenstown Airport

Part 149 organisations:

Flying New Zealand (RNZAC)
Gliding New Zealand Inc
New Zealand Parachute Industry Association
New Zealand Hang Gliding and Paragliding Association
New Zealand Warbirds Association
Recreational Aircraft Association of New Zealand (RAANZ).

Air operations - large aeroplanes (Part 121)

Air New Zealand,
Qantas Group
United Airlines, Inc
Virgin Australia Holdings Pty Ltd.

Air operations - medium aeroplanes (125)

Air Chathams
Air Milford (2000) Ltd
Air Safaris
Classic Flyers NZ

Air operations - helicopters / small aeroplanes (135)

Airlift NZ/Orbit Helicopters
Beck Helicopters Ltd
c/o Glacier Southern Lakes Helicopters
East Canterbury Aviation Ltd
Fighter Flights Ltd
Flyinn
Glenorchy Air
Golden Bay Air
Greencare Aviation Ltd
Helicopters Southern Canterbury
Heliventures NZ Ltd
Inflite
Marlborough Helicopters
PB and DV Holdings
PHI International New Zealand Limited
Rotor Work Ltd
Skydive Queenstown Limited
Skyline Aviation
Southern Alps Air
Spannair Ltd
Tandem Skydiving (2002)
Te Anau Helicopter Services
Totally Tourism NZ
True South Flights

Air operations - agriculture (137)

Submitters in this group are also Air operations – helicopters / small aeroplanes (Part 135). They have not been counted in both categories.

Anderson Helicopters Ltd
Campbell Copters Ltd
Helinorth Helicopters Ltd
Helisika Agricultural Ltd
Heliworx Waikato Ltd
Mid West Helicopters
Rotor Work Ltd
Rural Air Work Ltd
Skyfarmers Aviation
Souther Lakes Helicopters Ltd
Southern Aviation Ltd T/A Airspread South
Super Air

UAV / drone operations (101 / 102)

Droneshows Ltd
Fenix UAS Ltd
Phoenix Project Solutions Ltd

Other aircraft operations - gliders/parasails/parachuting/hang gliders

QCP Ltd ta Gforce paragliding
Skytrek Tandems

Training organisations

Ardmore Flying School
Aviation Training and Flight Testing Ltd

Other club / association / membership organisation

The Auckland Aero Club INC
Tiger Moth Club of NZ

Other organisations

Aviation Teknology Ltd
Icarus Enterprises Ltd
Joanna Lapish Aviation Medicals
Kakahu Lodge Limited
Skycert
Wendekreisen Travel Ltd

43 individuals also made submissions. Their names are excluded for privacy reasons.

Appendix 2: Glossary and abbreviations

Note: for consistency, these are replicated from the CRIS and consultation documents. Some terms may not occur in this document.

Authority	The Civil Aviation Authority of New Zealand as a whole.
AvSec	The Aviation Security Service, a business group within the Authority.
CAA	The remainder of the Authority excluding the AvSec business group. This includes both the safety and security regulatory oversight functions as well as corporate support functions for the whole Authority.
Core enabling functions	The teams that support the whole Authority. They ensure the smooth and effective operation of regulatory functions, ensure we have the right people, technology, and workplace arrangements, as well as meeting employment and statutory obligations. They include teams delivering statutory and regulatory functions (such as education and enforcement), and our intelligence functions.
Crown funding	Base funding provided by the government for public goods.
Crown liquidity funding	Funding provided by the government since 2020 to support the Authority due to the impact of border restrictions and lockdowns on its income.
ETU	Emerging Technologies Unit, a team within the Authority’s System & Practice Design business group.
Frontline inspectorate	The teams that provide safety and security regulatory oversight of the aviation system, including entry to the system through licensing and certification, monitoring of the system, and investigation, response and enforcement.
FTE	Full time equivalent
Funding review term	This is intended to be for two years from 1 July 2025 to 30 June 2027. However, this may vary depending on decisions by the Government.
General aviation	Parts of the aviation sector that are not airlines such as tourism or agricultural operators.
ICAO	The International Civil Aviation Organization, a specialised United Nations agency responsible for setting global aviation standards.
MIQ	Managed isolation and quarantine.
NPS	Non-passenger screening.
Other fees, charges, and levies	Revenue other than the passenger safety and security levies. This includes fees for specific activities like the grant of a licence or the registration of an aircraft, as well as the hourly charge for certification activities. It also includes other activity-based levies charged to the commercial aviation sector.

Participant	A person or organisation taking part in civil aviation activities for which an aviation document is required. Aviation document holders include organisations that hold certificates to operate, such as airlines, aerodromes, an air navigation service provider, flying schools, and aircraft maintenance providers. They also include individual licence holders, such as pilots, aircraft engineers, and air traffic controllers.
Passenger safety levy	The domestic passenger levy and the international passenger levy charged to airlines on a per passenger basis that funds CAA functions, as set out in the Civil Aviation (Safety and Security) Levies Order 2002.
Passenger security levy	The domestic passenger security levy and the international passenger security levy charged to airlines on a per passenger basis that funds AvSec functions as set out in the Civil Aviation (Safety and Security) Levies Order 2002.
System and Practice Design	A business group within the Authority whose teams ensure the overall regulatory system is fit for purpose, that regulatory tools, training and practice are up to date, and that the sector and inspectorate have the necessary guidance.
Status quo	<p>In the context of sector <u>funding</u>: sector revenue at existing fee, levy and charge out rates i.e. Authority income excluding Government liquidity support scheduled to end 30 June 2025.</p> <p>In the context of <u>FTEs</u>: the established level of FTEs as at 30 June 2025 (i.e. those that are funded by sector revenues and Crown funding in the 2024/25 year).</p>