

Briefing to the incoming

# Minister for State Owned Enterprises

Deputy Prime Minister and Minister of Foreign Affairs

November 2017

BRIEFING TO THE INCOMING MINISTER

CONTENTS

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» About us	3
» Airways Board of Directors	5
» Management	6
» How we're funded	7
» Aviation sector insights	8
» Our People	10
» Enhancing safety	11
» Key investment projects	12
» Foreign affairs	13
» Airways' international businesses	14
» Space and high altitude launches	15

## SAFE AND EFFICIENT SKIES

## ABOUT US

- » Airways' absolute priority is to deliver safe, efficient and reliable air traffic services in New Zealand's controlled airspace, ensuring all aircraft and passengers reach their destination safely.
  - » We are a high performing State Owned Enterprise, delivering consistently positive results across all performance metrics – our safety, our operational performance, customer satisfaction and our financial result.
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Airways provides air navigation services, which enable safe, reliable and efficient air transport within New Zealand airspace, and across our Oceanic Flight Information Region – one of the largest airspace regions in the world. We are also responsible for maintaining and investing in the aviation infrastructure that supports New Zealand's air traffic management system.

### Safety

Safety is at the forefront of everything Airways does, both operationally and where the health and safety of our people is concerned. Strategically, we continue to foster a proactive safety approach and we have a proven track record of excellent safety results. We consistently report zero major severity operational safety incidents and loss of separation incidents also remain very low, with no near collisions.

### Performance

Over the past 12 months, the organisation has consistently facilitated safe and efficient operations in a year of extraordinary growth in the aviation industry, a further 8% above last year's 8% growth.

### Funding

Airways is fully self-funded, primarily through fees and charges for its services to the airlines.

We have created innovative best-in-class traffic management systems which enable airlines operating in New Zealand to achieve optimal efficiency.

Airways consistently achieves customer satisfaction scores above 80%.

### Return to Government

As a profitable State Owned Enterprise, Airways reported a net operating profit after tax of \$23.7 million in the financial year ending 30 June, 2017 and paid a \$9 million dividend to its shareholder, the New Zealand Government.

### Airways' commercial businesses

Airways' commercial portfolio currently comprises of three business units providing portfolio diversification and growth opportunity for Airways.

## SAFE AND EFFICIENT SKIES

## ABOUT US

Through these businesses, Airways works in more than 60 countries delivering air traffic management, navigation services, consultancy and training.

**Investment in the air transport network**

The company has more than \$176 million of air transport assets, and will invest \$410 million in capital infrastructure over the next 10 years. New investments will focus on technologies that will enhance the efficiency and long-term sustainability of the air transport network.

Airways is working with the Civil Aviation Authority (CAA) on the implementation of the National Airspace and Air Navigation Plan through the New Southern Sky programme, from 2014 to 2023.

The Plan is a 10-year programme to modernise New Zealand's aviation system.

**Enabling new entrants in our skies**

In addition to its statutory role of providing safe and efficient air traffic control services, Airways is enabling new entrants to use New Zealand's airspace.

The air navigation service provider (ANSP) has supported approximately 120 near-space launches to date, with both NASA and Google choosing New Zealand for super-pressure scientific balloon launches.

Airways also provides air traffic control services to Rocket Lab to launch its satellites into space.

Airways manages New Zealand's unmanned aerial vehicle (UAV) flight management platform, [airshare.co.nz](https://airshare.co.nz), which sees more than 500 UAV flights registered every week. Airways is currently consulting with the industry and Government on expanding [airshare.co.nz](https://airshare.co.nz) and implementing an automated UAV flight management solution.

**Relationship with Government and the regulator**

Airways is certified by the CAA to provide air navigation and flight information services at airports. To ensure this relationship functions without undue influence, there is a separation of role and responsibility between the responsible Minister, the Ministers of Finance and State Owned Enterprises as shareholders, the CAA as regulator, and Airways as service provider.

## AIRWAYS BOARD OF DIRECTORS

**Judy Kirk (Chair) ONZM**

Judy was appointed to the Airways Board in January 2016 and became Chair in November that year. Judy has been Deputy Chair of Metservice since 2015, and also served as President of the New Zealand National Party for seven years.

**Mary-Jane Daly (Deputy Chair) BCom, MBA, CMInstD**

Mary-Jane was appointed to the Airways Board in May 2014. She is Deputy Chair of the Earthquake Commission, an independent director of Kiwi Property Group Limited and Cigna Life Insurance New Zealand, and Chair of the New Zealand Green Building Council.

**Grant Kemble LLB (Hons), BCom, CMInstD**

Grant was appointed to the Airways Board in May 2013.

He is a lawyer, specialising in commercial and corporate law and is the Chief Executive Officer of Perpetual Guardian. Most recently Grant was a partner at Russell McVeagh and was the Chair of its Board for a period.

**Bennett Medary BCom, PMP, IITP, MInstD**

Bennett joined the Airways Board in November 2015. He is Chair of Preno, a web-based software developer for front desk management of hotels. Bennett is on the Boards of MBBO Holdings and Medary Services, is a trustee of the New Zealand Hi-Tech Trust, the New Zealand Co-Chair of the Australia and New Zealand Leadership Forum on Innovation, and lead mentor at Lightning Lab Auckland.

**Dr Chris Moxon Ph.D, BSc (Hons) BCom, CMInstD**

Chris was appointed to the Airways Board in 2012. He is currently the Chief Executive of Accordo Group Ltd. He has previously been Managing Director of Oracle New Zealand, Global Chief Executive of Methodware, and New Zealand Managing Partner of Ernst & Young Consulting.

**Terry Murdoch MInstD, DipAv**

Terry is currently Chief Executive of Christchurch Helicopters and Pacific Aviation Services, and was appointed to the Airways Board in 2009. He is also the former Chief Executive and Director of Pacific Jets Ltd and a director of CHL Holdings and Pacific Aircraft Services.

**Mark Pitt BSc, ATPL**

Mark joined the Airways Board in November 2015. He has 25 years' experience as a pilot and has been the Chief Executive of Air New Zealand subsidiary Mount Cook Airline, Managing Director and Chair of Virgin Samoa and, most recently, Managing Director and Chief Executive of Virgin Australia New Zealand.




**Graeme Sumner** CEO

Graeme was appointed CEO in July and will take over the role on October 9. He has 27 years' experience in the energy, transport, telecommunications, mining services and medical technology industries. Prior to joining Airways, Graeme was Managing Director of Melbourne based Advanced Braking Technology and held CEO roles in Australia and New Zealand.


**Pauline Lamb** Chief Operating Officer

Before joining Airways in 2013, Pauline built a successful career at NATS in the UK, starting as a controller in 1983 and gaining extensive management experience in the enroute, terminal and airport air traffic control environments. Most recently, Pauline has acted as Airways' interim CEO.


**Andrew Boyd** Head of People and Capability

Andrew joined Airways in October 2016. Andrew has had extensive experience in delivering cultural change that supports business strategy. Prior to joining Airways, he was Executive General Manager People and Culture at Airservices Australia, the air navigation services provider for Australia.


**Emily Davies** Head of Public Affairs

Emily joined Airways in January 2015. She is responsible for Airways' internal and external communications, brand management, media, stakeholder and government relations. Emily is experienced across a broad range of industries in both the public and private sectors including technology, logistics, finance, corporate business, health, FMCG and retailing.


**Trent Fulcher** Head of Strategy

Trent Fulcher joined Airways as its Head of Strategy in January 2016. Trent is an internationally experienced strategy professional with experience in the Banking, Insurance and Wealth Management industries, the public and private sectors as well as manufacturing, telecommunications and IT.


**Kim Nichols** Head of Safety and Assurance

Kim joined Airways in 2010, and specialises in governance, change and culture. She has 15 years' experience in audit, risk and business improvement, and has held senior roles with companies such as British Gas Trading and Deloitte where she led and delivered audit, business improvement and risk programmes


**James Young** Chief Financial Officer

James joined Airways in July 2014, and is responsible for Airways' financial management, procurement and property activities. James manages key relationships with Airways' Audit and Finance Committee and the New Zealand Treasury. Prior to joining Airways, James held leadership positions in the investment management industry globally.

## AIRWAYS' PRICING AND FUNDING FRAMEWORK

# HOW WE'RE FUNDED

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### **Airways is self-funded through charges to our customers for air navigation services.**

Our key customer groups are airlines and commercial aircraft operators, airports, the general aviation community and the New Zealand Defence Force.

While Airways is currently the sole provider of air navigation services in New Zealand, unlike other businesses with sole provider characteristics, such as electricity and gas network companies, it is not subject to rigid price regulation.

Airways' Pricing Framework details the pricing methodologies we use to price our services. This framework achieves the same outcomes as having prices driven by external regulators, through transparent engagement with customers and stakeholders.

This approach has much lower transaction costs and is more flexible and better able to respond directly to customer requirements than rigid price regulation.

Every three years Airways consults with customers on prices for our air navigation services. The most recent consultation set prices for the 2016 – 2019 period. Following a robust consultation and customer feedback, we were pleased to deliver a price decrease of 4.7% for airlines over the three year period.

The reduction was a result of Airways' cost saving initiatives and strong industry growth.

# AVIATION SECTOR INSIGHTS

## OUR RECOMMENDATIONS

- » Continue to ensure the Civil Aviation Authority has sufficient capability and is adequately funded to maintain a thriving aviation industry.
- » Promote investment in infrastructure necessary to modernise New Zealand's aviation environment and ensure growth is not constrained.

The Asia Pacific region is experiencing a period of unprecedented aviation growth. According to the International Air Transport Association (IATA), within 20 years about half of the world's air travel – nearly three billion journeys – will touch Asia Pacific, up from around 30% in 2016.

Globally, the industry remains volatile and sensitive to new entrants into the airspace, fluctuating fuel prices, and political and security concerns.

### Growth forecast

This has been reflected in New Zealand's aviation sector which has experienced significant growth over the past three years. This is primarily driven by an upswing in tourism, particularly flights to and from Asia and the introduction of new carriers flying to New Zealand from the region.

Domestic growth is largely the result of greater accessibility to flights

through increased competition in New Zealand's regional centres.

However, growth has placed additional pressure on aviation infrastructure and further investment is necessary, such as the installation of a second runway at Auckland Airport, which remains New Zealand's major airport hub.

Smaller regional airports are facing substantial challenges in funding infrastructure upgrades and Airways is assessing alternative ways to provide its services in these areas.

### Modernising New Zealand's airspace

The modernisation of the New Zealand aviation environment continues in-line with International Civil Aviation Organization (ICAO) plans. and under the New Zealand Government's New Southern Sky programme.



## SAFE AND EFFICIENT SKIES

## AVIATION SECTOR INSIGHTS

This industry-wide approach to the introduction of new technologies and procedures is enhancing resiliency and efficiency, as well as providing an environment that will provide access to airspace for new aviation entrants, including UAVs and near-space launch activities.

New Zealand is seen as an attractive option for aviation research and development across the industry and recent work programmes with high altitude balloons, rockets and various types of unmanned aerial vehicles have been successful.

**A global view**

While New Zealand enjoys a relatively advanced aviation system, there is notable disparity between capabilities across the Asia Pacific region. The safety and resilience of our own system relies on taking a system wide approach to improving aviation connectivity and development.



# OUR PEOPLE

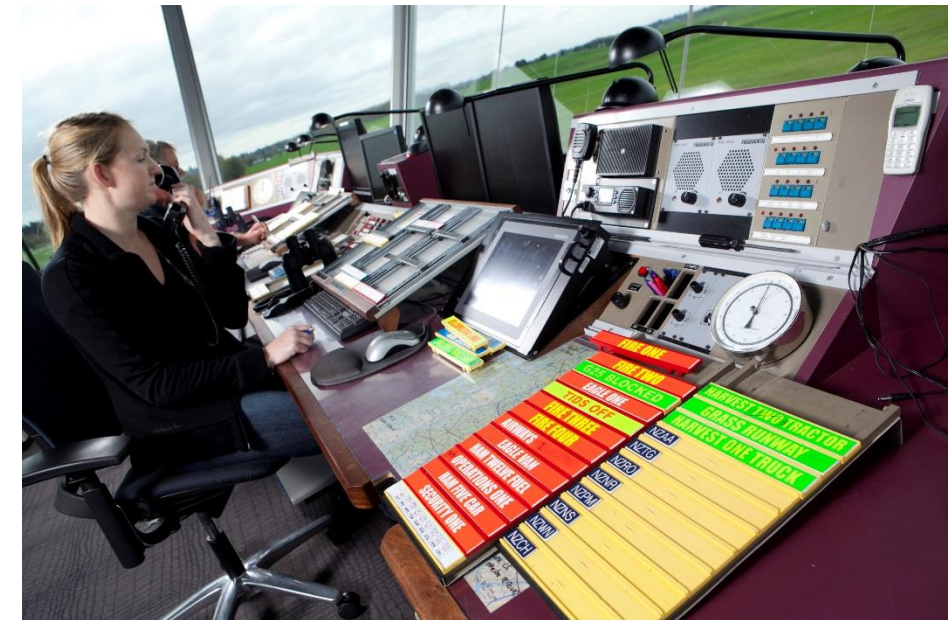
**Airways employs 803 staff nationally in highly skilled and technical roles. Sixty per cent of Airways people are on collective employment agreements, and we are committed to working collaboratively with our people's representative unions.**

The majority of our people are employed in operational roles, as air traffic controllers or in technical and engineering positions supporting the design, implementation and maintenance of the infrastructure that underpins our air traffic management network. The remainder work in corporate and auxiliary roles supporting our operational business units and three subsidiary commercial business units.

Our people work across Christchurch Radar Centre, Auckland Oceanic Centre, 17 control towers, and corporate offices in Auckland, Wellington and Christchurch. Airways' biggest base is in Christchurch, where 450 of our staff are employed.

The average salary for an Airways employee is \$110,042, with more than half of our people earning over \$100,000 annually.

More than 50 per cent of Airways employees are on collective employment agreements. We are committed to working collaboratively with our people's representative unions, which are The New Zealand Air Line Pilots' Association (NZALPA), the Public Services Association and the Aviation & Marine Engineers Association. We will begin collective agreement negotiations with NZALPA, the union with the biggest membership of Airways' staff, early next year.



# ENHANCING SAFETY

**Airways has a proven track record of excellent safety results. We consistently report zero major severity operational safety incidents and maintain an ACC tertiary rating.**

We continue to foster a proactive safety approach across all aspects of our business.

Airways operates an integrated safety management system which brings together all aspects of safety including operational, health and safety, security, and international quality standards. Its extensive reach encompasses the non-negotiable external rules, policies and procedures that we comply with, our own expectations and reporting mechanisms and comprehensive education and promotion for our people.

Our Just Culture model is a core part of this system. In this business, where maintaining safe skies is paramount, a Just Culture is essential to creating a proactive incident reporting environment to enable Airways to mitigate and learn from potential risks before they cause any harm.

Airways is taking a leading role in safety development internationally and holds significant lead positions on the global trade association CANSO's Executive Committee, its Safety Standing Committee and Safety Sub-Committee, as well as New Zealand's Business Leaders Health and Safety Forum.



# KEY INVESTMENT PROJECTS

» Airways is investing heavily in infrastructure and technology that will support the long term growth and sustainability of New Zealand's aviation environment.

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## New air traffic management (ATM) platform

Airways is replacing our current air traffic management (ATM) platforms in a \$58m project over the next four years.

## Satellite based navigation systems

Airways' performance based navigation (PBN) roll-out programme is a key initiative of the Government's New Southern Sky plan. The implementation of PBN involves a broad range of technologies that are moving aviation away from a ground-based navigation system, towards one more reliant on satellite based navigation aids and procedures. This improves safety while reducing airport and airspace congestion, fuel burn, and aircraft emissions.

Airways' PBN implementation programme covers all of New Zealand's controlled aerodromes and is due for completion in 2018.

## Satellite based aircraft surveillance

Airways is installing a new satellite-supported system designed to replace radar as New Zealand's main aircraft tracking technology. The first phase of the network will be operational by the end of the year.

## Unmanned aerial vehicles (UAVs)

Airways is investigating the feasibility of implementing a nationwide drone traffic management system. In April Airways published a request for information (RFI) to gather information from software companies on UAV Traffic Management (UTM) systems and received 22 responses. Airways has implemented a demonstration of one of the vendor solutions at Queenstown Airport for testing and learning purposes, which was met positively by air traffic controllers, airport and UAV user stakeholders.

## New air traffic control towers

Airways is constructing new air traffic control towers at Wellington and Nelson, supporting the future airport and airline needs in the regions.

## Digital air traffic control towers

At the same time, Airways is investigating digital towers technology as a viable future alternative to bricks and mortar towers. A digital tower allows services to be provided from a remote location, instead of from the conventional tower.

Airways has partnered with Austrian-based Frequentis to set up a demonstration of digital tower technology at Auckland Airport.

# AIRWAYS INTERNATIONAL BUSINESSES

- » Airways' commercial portfolio currently comprises of three business units providing portfolio diversification and growth opportunity for Airways.
- » Through these businesses, Airways works in over 60 countries delivering air traffic management, navigation services, consultancy and training.

Our commercial businesses deliver high quality services, innovative products and competitive pricing to global air navigation service providers (ANSPs) and the aviation industry.

The focus for Airways' commercial businesses is in the growth markets of Asia-Pacific region and the Middle East.

These businesses also work closely with industry bodies and funding organisations including the Ministry of Foreign Affairs and World Bank to deliver key aviation infrastructure projects throughout Asia Pacific.

## Airways Training

Airways Training offers air traffic control and engineering training services.

We operate two domestic campuses in Palmerston North and Christchurch delivering New Zealand-based air traffic control (ATC) training for international ANSPs

We currently train controllers for the United Arab Emirates, Hong Kong and Vietnam. In partnership with American University of Puerto Rico, the business also train controllers for the Spanish ANSP, Ferrocarril de Madrid.

## Aviation Services

Aviation Services provides air traffic management and aviation-related consultancy as well as safety, engineering and maintenance solutions to aerodrome operations and air navigation service providers throughout Asia Pacific.

## Aeropath

Aeropath provides next generation Aeronautical Information Management (AIM) and Aeronautical Procedure Design and Performance Based Navigation (PBN) services. Aeropath has contracts with ANSPs, civil aviation authorities and airlines globally.



## PROMOTING SAFETY AND GROWTH IN THE PACIFIC

## FOREIGN AFFAIRS

**We are committed to promoting aviation safety and sustainability throughout the Pacific region and have a long history of working with Pacific nations to support the development and improvement of air navigation services.**

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We aim to create a ‘functional airspace block’ across the region which maintains the same standard of infrastructure, service, customer value and safety as provided in New Zealand and required by CAA regulations.

A significant element of our involvement with the Pacific is a joint commercial agreement with Tonga, Samoa, Niue and the Cook Islands to manage the states’ upper airspace from our Auckland Oceanic Radar Centre.

As part of broader Pacific engagement, this agreement complements the work of MFAT and, in particular, the Pacific Aeronautical Charting Procedures (PACP) programme that is being delivered by our commercial businesses, Aeropath and Aviation Services.

The project is implementing satellite – based approach procedures at 38 aerodromes across the Pacific, improving the ability of aircraft to land safely, especially in poor weather.

Aviation Services, an Airways owned commercial business, is currently also contracted to manage the World Bank funded satellite communications programme for The Cook Islands, Niue, Samoa, Tonga Kiribati and Vanuatu. This is a key enabler to the deployment of ADSB navigation technology throughout the Pacific.



# SPACE AND HIGH ALTITUDE LAUNCHES

**Airways is committed to enabling safe and flexible access to controlled airspace to allow the emerging aerospace industry to integrate and grow.**

Airways has developed an advanced launch services programme in New Zealand, enabling more than 120 stratospheric balloon launches for organisations including NASA and Google over the past three years.

This year Airways has facilitated the first test launch of Rocket Lab's Electron rocket, ensuring its safe passage through New Zealand's airspace. Airways has an agreement with Rocket Lab to provide air traffic services to facilitate its ongoing test and commercial operations from its launch site on Mahia Peninsula. Airways manages the special use airspace in place around the rocket, protecting the area from other aircraft and limiting disruption to other airspace users.

Operators in the near space sector are interested in New Zealand due to our areas of relatively uncongested airspace and our progressive air navigation services and regulation authorities. Airways has robust airspace management systems and procedures in place and is taking a proactive and collaborative approach to support this growing industry.

Airways submitted on the Outer Space and High Altitude Activities Bill providing recommendations on safety and minimising the disruption of aerospace activities on the wider aviation network.

