

# Airways' Pricing Consultation

## Customer Feedback Template

### Your details

<b>Name</b>	John Nicholson
<b>Organisation (if applicable)</b>	Aviation NZ
<b>Email</b>	
<b>Phone</b>	
<b>Address</b>	

## Consultation feedback questions



**Question 1:** Do you support Airways' roadmap to implement digital tower services at Invercargill and Auckland during the 2019-2022 pricing period?

**Question 2:** Do you support Airways' involvement in the AIAL project to implement an FCR at Auckland?

**Question 3:** Do you support Airways' UAV detection and management initiatives to enhance safety in and around controlled airspace?

The issue is 'participants who want to cooperate'. We already have a situation where most UAV users comply with the Rules. In general, the Rules, Pt 101 and Pt 102, work well.

The real issue is with those who don't comply or cooperate. They tend to be recreational users.

There has been considerable discussion in Government and industry circles for years about education:

- CAA has recently produced a simple brochure, has a website. It uses Facebook and Twitter. How visible are they to recreational users?
- Air New Zealand has a multi-language video on its IFE. It is not easy to find and you need to know it is there before looking.
- NZ retailers have some education material that is given to purchasers of drones

We need more proactive education - banners at international airports, multi-language leaflets that can be given when international tourists go through almost 100% screening.

We talk but the government agencies charged with ensuring safe aviation (Ministry of Transport, CAA and Airways) don't seem to be able to agree what a good education programme would look like and fund it. Does the proposed Airways contribution of \$200,000 per year cut it?

We recognise too that it will be difficult to apprehend 'recalcitrant operators', those that don't want to cooperate.

**Question 4:** Do you support the projects in figure 11? Are there other service enhancements that Airways should be considering?

National ADS-B network. The Ernst and Young cost benefit analysis for CAA on FL below 245 showed that the major beneficiary was Airways, which would not have to invest in replacement equipment, whereas GA would. In simple terms, Airways saves \$20m and GA pays \$20m for new equipment and installation.

Airways should be a key partner with CAA and Ministry of Transport in securing some of/a major portion of the costs to be incurred by GA.

**Question 5:** Do you support Airways' business transformation to improve the resilience and flexibility of future services?

Future proofing is important.

**Question 6:** Do you support Airways' capital programme to maintain safe and reliable services? Note full details of the capital programme are provided in Appendix 2.2.

Note Milford

**Question 7:** To continue to maintain safe and efficient services do you accept Airways' increase to base operating costs?

Feedback:

**Question 8:** Recognising that the inflation inputs will be updated with current information at the time of setting final prices, do you agree with the sources of Airways' inflationary inputs?

Feedback:

**Question 9:** Do you agree with the inputs into Airways' capital charge calculation?

Feedback:

**Question 10:** Is there any other information Airways should consider to forecast future volume growth?

DoC and concessions and the possibility that concessions will impact a number of areas in New Zealand, as could district plans that attempt to limit aerial operations. The current draft plan for Queenstown Lakes which goes to the Environment Court in late March for mediation is a case in point.

**Question 11:** Do you support proposed changes to charges for Queenstown night operations, and extended or unscheduled out-of-hours services?

Feedback:

**Question 12:** Do you support the Scorecard metrics in figure 27?

Metrics are fine but what benefits come to industry if Airways does not deliver on its targets?

**Question 13:** Are there any other measures Airways should consider including in the Scorecard?

Feedback:



**Question 14:** Do you agree with the inflationary inputs used to uplift GA prices?

Philosophically the inflation rates look fine. However, the concept of simply increasing prices by inflation does not encourage improved productivity, nor does it encourage Airways to look at other ways of providing or improving value for money.

Two reviews ago, Airways was challenged to look at more cost effective ways of delivering services at Milford. This eventually resulted in Airways changing its operating model at Milford.

This type of challenge disappears with the ability to automatically increase prices year on year.

We know too that Airways does make operational savings - a \$3.8m saving was passed to the airlines in the 2017/18 year. We can't lose sight of the importance for Airways to look at operational efficiencies.

It is not quite clear how the increases in figure 28 apply to the figures in figures 29 and 30. The figures in 29 and 30 look a little higher than justified by the figures in 28

**Question 15:** Do you agree with the proposed changes to Milford prices?

No.

We presume the capital cost of the new accommodation is included in Figure 18? Airways, as a residential property investor will stand to benefit from such an investment. Do any benefits accrue to industry when such property is sold?

Further advice on the cost recovery model would be useful. Such YoY proposed price variations are not good for operators trying to run professional businesses. Any price changes should be spread evenly over the three years.



**Are there any other comments you would like to make?**

We are concerned by another price increase by a Government Agency in a monopolistic position. It seems to us, that monopoly service providers are not subject to the same competitive pressures that exist in the commercial world. While the Government talks about 'being fair', that monopolistic position is used unfairly.

Proposed price increases, while related to inflation, do not support improved productivity. There should be productivity undertakings with reimbursement when Airways doesn't deliver (e.g. Napier Tower).

The Airways aircraft projections for Milford don't reflect the changes DoC intends making.

It is our strong view that a proportion of the Airways dividend to Government should actually be reinvested in the industry so that we retain a basic aviation infrastructure? The Airways contribution to preserving a basic aviation infrastructure across the country (including the airports Airways has vacated) should be a cost and deducted from revenue before tax and dividends are calculated.

