

AIRWAYS



Response to requests for additional information

Airways Pricing Consultation for the period
FY26-FY28

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Version History:

Version	Requests	Date published
Version 1	Request 1 to 13	14 March 2025
Version 2	Request 14 and 15	20 March 2025



Purpose

This document provides additional information in response to requests for information from submitters as part of Airways New Zealand's consultation on its proposed prices, for the three-year period from 1 July 2025 – 30 June 2028.

Requests and Airways' responses

1. PWC Report

Request:

Please provide the PWC Report.

Airways' response:

The [Independent assurance practitioner's report](#) is available to view in the link on Airways' website.

2. Pricing comparison calculator

Request:

Please provide the FY26-28 Pricing calculator.

Airways' response:

The [Pricing comparison calculator](#) has now been updated for FY26-28 proposed pricing and is available to view on Airways' website.

3. More detailed breakdown of the capex plan

Request:

Capex plan by project, spend per annum, commission date, value, useful life and investment rationale e.g. maintenance, new equipment, replacement, growth

Airways' response:

The Capex plan by project, spend per annum, investment rationale and estimated commissioning date were included in Appendix B.2 of the consultation document. We've added the useful life and refined investment rationale category further as requested in the table below:



- ▶ Strategic: aligned with the strategic priorities of Airways
- ▶ Lifecycle: end of life, including planned maintenance and end of life upgrades
- ▶ Maintenance: something is broken, repair is needed outside lifecycle or planned maintenance

Table 1. Capital investments with investment rationale and useful life

Project	Investment Rationale	FY26	FY27	FY28	Total	Est Comm. Date	Useful Life (in months)
Projects with Commissioning dates within this Price Plan period (FY26-FY28)							
Auckland		10.2	1.2	0.2	11.6		
Auckland Tower - Pier A1 Mitigations	Strategic	1.5	-	-	1.5	Apr-26	120
Main Trunk Surveillance Systems (PSR/MSSR Lifecycle)_AKL	Lifecycle	5.2	-	-	5.2	Aug-26	120
Auckland Tower - Building Maintenance	Maintenance	1.0	-	-	1.0	Various	120
Rua Building Replacement and Comms Tower	Lifecycle	1.4	-	-	1.4	Jul-25	240
Minor capital works	Maintenance	1.1	1.2	0.2	2.5	Various	Various
Christchurch, Wellington, and Queenstown		13.0	14.4	10.0	37.4		
Main Trunk Surveillance Systems (PSR/MSSR Lifecycle)_WN Hawkins Hill	Lifecycle	4.5	-	-	4.5	Jul-25	120
ILS Replacement WN	Lifecycle	2.3	-	-	2.3	Sep-26	180
Wellington Contingency Tower replacement	Lifecycle	0.4	1.2	-	1.6	Oct-26	120
Southern & Auckland surveillance upgrade (MLAT QN)	Lifecycle	0.8	12.4	9.7	22.9	Dec-27	120
Main Trunk Surveillance Systems (PSR/MSSR Lifecycle)_CHC	Lifecycle	1.2	-	-	1.2	May-25	120



Project	Investment Rationale	FY26	FY27	FY28	Total	Est Comm. Date	Useful Life (in months)
Christchurch CCR replacement	Lifecycle	1.0	-	-	1.0	Jun-26	120
Runway Edge lights Replacement (CH)	Lifecycle	0.9	-	-	0.9	Jun-26	180
Minor capital works	Maintenance	1.9	0.8	0.3	3.0	Various	Various
Enroute		5.0	5.2	1.7	11.9		
DVOR / DME at Tauranga	Strategic	2.7	0.2	-	2.9	May-26	180
DVOR / DME at Hokitika	Strategic	1.6	1.2	-	2.8	Nov-26	180
DVOR / DME at Kaitaia	Strategic	0.1	1.5	0.2	1.8	Aug-27	180
Enhanced Contingency, Hot Standby Stability	Maintenance	-	1.0	-	1.0	May-27	120
Minor capital works	Maintenance	0.6	1.3	1.5	3.4	Various	Various
Network and supporting assets		24.6	19.8	14.5	58.9		
National ATM System Enhancements	Lifecycle	1.6	1.7	1.7	4.9	Various	84
Oceanic Hardware Refresh	Strategic	2.5	0.7	-	3.2	Nov-26	120
Constant Current Regulators (CCR) Rollout Phase 1	Lifecycle	0.7	-	-	0.7	Jul-25	240
AAOC, AAQ7, ADC and ADC ext Network Lifecycle	Maintenance	1.0	-	-	1.0	Jun-26	180
IT & SM Desktop Refresh	Lifecycle	1.4	0.8	0.8	3.0	Various	36
IT & SM Infrastructure and System Lifecycle	Lifecycle	0.4	4.5	0.4	5.3	Various	36
WAN Network Equipment Lifecycle	Lifecycle	6.1	0.4	-	6.5	Jan-27	60
Replace Seagrove Mains Transformer	Lifecycle	0.6	-	-	0.6	Jun-26	120
Aeronautical Information Management (AIM) replacement	Lifecycle	1.3	-	-	1.3	Jul-25	120
Enterprise Network lifecycle	Lifecycle	-	1.2	-	1.2	Jun-27	60
National Maintenance (Ongoing)	Maintenance	0.5	0.5	0.5	1.5	Various	120
Modern Data platforms	Strategic	-	0.8	-	0.8	Jul-26	60
IPVCS OS Upgrade	Lifecycle	0.7	-	-	0.7	Jun-26	60



Project	Investment Rationale	FY26	FY27	FY28	Total	Est Comm. Date	Useful Life (in months)
Flight Inspection equipment replacement	Lifecycle	0.3	0.3	1.6	2.2	Jun-28	120
Distribution Board Upgrade for Communication and Navigation Sites (Sites 5-8)	Lifecycle	0.1	0.5	-	0.6	Jun-27	60
Distribution Board Upgrade for Communication and Navigation Sites (Sites 9-12)	Lifecycle	-	0.5	0.1	0.6	Jun-28	60
Lighting works - Medium/low priority works from FY26	Lifecycle	0.1	3.2	4.9	8.2	Various	60
Enhanced Collaborative Arrival Manager (eCAM)	Strategic	-	-	0.8	0.8	Jun-28	120
Demo Recorder upgrade for OCs and Airground	Maintenance	-	0.3	0.6	0.9	Jun-28	120
Other capex works within this category	Maintenance	7.3	4.4	3.1	14.8	Various	Various
Regional aerodromes		5.2	4.2	4.0	13.5		
Remote Aerodrome Advisory Service (RAAS) - Milford	Strategic	0.5	0.5	0.5	1.5	Sep-27	120
Electronics Flight Strips, including Digital Clearance (DCL)	Strategic	0.4	0.6	0.4	1.4	Jul-23	60
Regional Tower Cab Refresh	Strategic	0.8	1.0	1.2	3.0	Jul-28	120
REIL replacement at PM, GS	Lifecycle	0.5	0.5	-	1.0	Dec-26	180
Invercargill Tower – window replacement	Maintenance	0.5	-	-	0.5	Jun-26	120
Dunedin ILS Building power cable upgrade	Lifecycle	0.4	-	-	0.4	Jun-26	240
Minor capital works	Maintenance	2.1	1.6	1.9	5.7	Various	Various
Unattended		0.2	0.1	-	0.3		
Whanganui Airport Beacon Replacement	Lifecycle	0.2	0.1	-	0.3	Dec-26	120
Other Capital Investments		2.6	3.0	3.2	8.8		
CALNI Unmanned Sites Security Upgrade	Maintenance	0.6	-	-	0.6	Apr-26	96
Intl Towers MET and NAV to ATM display	Strategic	0.4	0.1	-	0.5	Jul-26	120
Miscellaneous Capex – Manned buildings	Maintenance	0.1	0.1	0.1	0.3	Various	Various



Project	Investment Rationale	FY26	FY27	FY28	Total	Est Comm. Date	Useful Life (in months)
Miscellaneous Capex – Property	Maintenance	0.2	0.2	0.2	0.6	Various	Various
Miscellaneous Capex - Phones	Maintenance	0.2	0.2	0.2	0.6	Various	Various
NR Alternate VHF	Strategic	0.1	0.1	-	0.2	Jun-27	120
ADC Refit	Maintenance	0.1	2	2.1	4.2	Jul-27	240
Minor capital works	Maintenance	0.9	0.3	0.6	1.8	Various	Various
Projects with Commissioning dates outside this Price Plan period (FY29 onwards)							
Auckland		3.7	14.1	18.7	36.5		
Auckland Tower Replacement	Strategic	3.7	14.1	18.7	36.5	Sep-28	240
Enroute		-	-	1.5	1.5		
Replace HF Transmitters at Wairoa	Lifecycle	-	-	1.5	1.5	May-29	120
Network and supporting assets		3.8	9.7	9.3	22.8		
Airspace Architecture	Strategic	3.8	7.6	6.2	17.6	Jun-29	120
System Wide Information Management (SWIM) Delivery	Strategic	-	2.1	3.1	5.2	Jun-34	120
Regional aerodromes		6.9	1.8	-	8.7		
Voice Switch rollout for Regional Aerodromes	Lifecycle	6.9	1.8	-	8.7	Jul-28	120
Total - Projects with Commissioning dates outside Price Plan period (FY29 onwards)		14.4	25.6	29.5	69.5		
Total - Projects with Commissioning dates within Price Plan period (FY26-FY28)		60.8	47.9	33.6	142.4		
Grand Total		75.2	73.5	63.1	211.9		

4. Pricing asset register and allocation

Request:

Pricing asset register and CAPEX transfer to pricing asset register breakdown

Airways' response:

We have provided the opening position assets capitalised overtime until date. Please refer to the table provided below.

Table 2. Price asset register

Pricing Asset Register (PAR) \$m	FY25 NBV	FY26 NBV	FY27 NBV	FY28 NBV
Plant	61.9	51.6	43.2	35.6
Intangible Assets	52.6	46.3	40.4	35.1
Buildings	42.0	40.1	38.3	36.5
Computer and Equipment Software	16.1	11.6	8.9	6.7
Other	5.3	4.5	3.8	3.2
Total	177.9	154.1	134.6	117.1
\$m	FY25	FY26	FY27	FY28
Opening Transfer to PAR	-	37.7	119.1	172.5
Capex Transfer to PAR	39.1	90.9	72.5	57.3
Transfer to PAR Depreciation	- 1.4	- 9.5	- 19.0	- 25.5
Closing Transfer to PAR Book Value	37.72	119.06	172.48	204.30
Closing PAR Book Value	215.6	273.2	307.1	321.4

5. Further breakdown of OPEX cost

Request:

OPEX cost broken down line item, and including but not limited to headcount type, salaries, respective enterprise agreement assumptions, utilities, software costs etc.

Airways response:

A breakdown of operating costs into categories has been provided under question 7.

6. Passenger forecast and key underlying assumptions

Request:

Passenger forecast and key underlying assumptions.

Airways response:

We do not undertake passenger forecasts as our pricing methodology is based on flight volumes. Details of our flight volume assumptions have been provided in section 8.3 in the consultation document.

7. Historical and forecasted P&L performance

Request:

Historical and forecasted P&L performance from FY22 to FY28 (set out by line item)

Airways response:

Table 15 in our consultation contains a breakdown of the Building Blocks used in the EVA. A breakdown of Operating costs – other has been provided below along with the inclusion of FY22 and FTE numbers.

Table 3. Breakdown of operating costs

	Actual			Forecast		Plan	
	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Operating costs – labour	115.9	129.9	143.9	152.1	156.6	164.0	170.9
FTE	678	712	746	769	769	774	779
Equipment costs	16.5	16.7	21.1	22.6	24.1	25.9	26.5
Student Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel costs	1.3	2.9	3.3	3.7	4.1	4.3	4.4
Occupancy costs	3.5	3.3	4.6	5.4	5.0	5.3	5.5
Information costs	4.4	5.2	6.8	7.1	7.5	7.9	8.1
Professional services	3.6	5.1	4.3	6.1	10.2	10.5	11.0
Corporate costs	1.7	0.9	1.4	1.1	1.5	1.6	1.6
Intercompany charges (net)	6.1	8.0	9.5	9.4	11.4	13.4	13.7
Asset impairment	1.4	0.4	2.3	0.0	0.0	0.0	0.0
Total operating costs - other	38.6	42.6	53.3	55.4	64.0	68.7	70.7

8. CAPEX reconciliation and asset base overview (FY20-FY25)

Request:

Reconciliation of prior CAPEX, opening and closing asset base, CAPEX additions, useful life for FY20 to FY25 period

Airways response:

This information has been provided under question 4 above.

9. Substantiation of CAPEX programs and benefits

Request:

Substantiation of CAPEX programs and benefits including operational consequences and project alternatives

Airways' response:

The substantiation of Capex programs including benefits are included in section 6.1.1 and 6.1.2 of the consultation document. Further information is also provided in section 4 of the consultation document.

10. Current capital and debt structure

Request:

Current capital structure, including level of gearing, amount of government funding/ COVID support and debt maturity profile.

Airways' response:

Capital Structure Overview

On 28 February, Airways announced its interim results for the half-year ending 31 December 2024. As disclosed in footnote 2 (EVA key performance indicators) of the interim accounts, on 31 December 2024, Airways had the following capital structure:

Table 4. Capital structure

For the period	\$000s
Debt employed	194,050
Equity employed	142,108
Total debt and equity employed	336,158
Gearing ratio	57.8%

Government Funding and Covid19 Support

As a state-owned enterprise, Airways is fully owned by the NZ government, which has historically provided financial support when needed. Based on the interim report, for the six-month period to 31 December 2024:

- ▶ Total government support (including COVID19) – \$nil
- ▶ Dividends to the government: \$nil

Debt Maturity Profile

As of 31 December 2024, Airways debt maturity profile is as follows:

Debt (\$000s)	Within one year	Greater than one year	Total
Loan facility	-	55,000	55,000
Leases	6,216	64,330	70,546
Long Service Leave	-	10,342	10,342
Intercompany*	58,162	-	58,162
Total	64,378	129,672	194,050

*This intercompany loan is classified as payable on demand; however, both parties have an understanding that repayment will be managed in alignment with the group's internal funding strategy and liquidity needs.

11. Accounting standards for tangible and intangible assets and changes in application by Airways

Request:

Accounting standards applied to tangible and intangible assets (software costs), changes in accounting application by Airways and when these changes were introduced.

Airways' response:

The accounting standards applied to tangible and intangible assets (including software costs) by Airways are disclosed in the company's Integrated Report under the financial statements section. This includes the recognition, measurement, and amortization policies in accordance with the applicable financial reporting framework.

Airways adopts NZ International Financial Reporting Standards (NZ IFRS) as appropriate for for-profit Tier 1 entities. They also comply with International Financial Reporting Standards (IFRS).



Any changes in the accounting application related to these assets, if relevant, are also detailed in the notes to the financial statements within the Integrated Report.

For a comprehensive understanding of the accounting treatment applied, we recommend referring to the latest [Integrated Report](#) for the year ended 30 June 2024.

12. Government mandates on Airways' profitability and return on objectives

Request:

Government mandates on Airways' profitability and return objectives, including dividend policy, returns hurdle and targets.

Airways' response:

As a SOE, Airways operates under the governance and financial expectations set by the NZ Government. These expectations are outlined in the NZ Treasury's "Owner's Expectations", the company's Statement of Corporate Intent ("SCI"), and the broader SOE performance framework.

Profitability and Return Objectives

While the government does not set specific profitability targets, Airways is expected to operate as a commercial entity, generating sustainable returns while fulfilling its role as a critical infrastructure provider.

Dividend Policy

Airways' dividend policy is aligned with the NZ Treasury's Owner's Expectations and requires consultation with the government shareholder.

Dividends are declared in line with Treasury's guidelines for SOEs, balancing shareholder returns with the company's long-term capital and investment requirements.

Return Hurdle and Financial Targets

As part of the Owner's Expectations, Airways NZ is required to achieve a commercial rate of return, assessed against:

- ▶ Weighted Average Cost of Capital (WACC) as a benchmark
- ▶ Industry-specific financial performance measures
- ▶ The company's risk profile and investment needs



For further details on profitability expectations, dividend policies, and return targets, we recommend referring to:

- ▶ [The NZ Treasury's "Owner's Expectations"](#)
- ▶ [Airways Statement of Corporate Intent \(SCI\)](#)
- ▶ [The company's Integrated Annual Report](#)

13. Confirmation of date when pricing would come into effect

Request:

Confirm any subsequent pricing will not come into effect for 3-4 months from the final pricing decision and not 1 July 2025.

Airways' response:

This feedback is best provided as part of the response submission.

14. Inter-company charges

Request:

Can Airways shed more details about the Inter-company charges and their breakdown in the OPEX table.

Airways' response:

Intercompany charges shown in Table 3 (Request 7) represent the cost of critical services provided by Airways International Limited (and subsidiaries) to enable the provision of air traffic management services by Airways. These costs are allocated in line with our pricing framework and include the cost of:

- ▶ Development and maintenance of instrument flight procedures
- ▶ Recruitment and training of air traffic controllers
- ▶ Provision of simulators for operational training and their associated running costs

The intercompany charges shown in Table 3 are net of the costs recharged from Airways to Airways International Limited (and subsidiaries), such as an allocation of corporate services costs, again this is in line with our pricing framework.

The main driver of the increase from FY25 to FY26 is the expected contribution by procedure design experts into the airspace architecture future services review.



See section 5.2 of the consultation document for further information on this review.

15. Income Tax treatment and calculations

Request:

More information about the income tax treatment and calculations particularly the fluctuations i.e. FY24, FY25.

Airways' response:

The fluctuations in tax expense across these periods are driven by both profit movements and one-off legislative changes impacting deferred tax. These are further described as follows:

1. FY24 Tax Expense Increase – As disclosed in Airways' year-end financial statements for the year ended 31 December 2024, in March 2024, the New Zealand Government removed the tax deduction for depreciation on non-residential buildings, effective from the 2024/25 income year. As a result, Airways had to eliminate the tax base of commercial buildings as of 30 June 2024. This legislative change directly increased the FY24 income tax expense.
2. Lower Tax Expense in FY23 and FY25 – The lower tax expense in these years reflects lower profitability, which is also evident in negative Economic Value Added (EVA) noted in Table 15 of the consultation document.
3. FY26 to FY28 Profitability and EVA Considerations – the forecasted profit is higher in these years, although this is necessary to achieve an EVA of zero, ensuring a fair return on capital without over-recovery. The increase in tax expense in these years aligns with the improved profitability required to reach EVA neutrality.