



New Zealand House of Representatives
Te Whare Māngai o Aotearoa

Transport and Infrastructure Committee
Komiti Whiriwhiri Take Waka, Take Hanganga

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2023/24 Annual review of Air New Zealand Limited

Presented to the House of Representatives
by Andy Foster, Chairperson

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Air New Zealand Limited

Recommendation

The Transport and Infrastructure Committee has conducted the annual review of Air New Zealand Limited for 2023/24, and recommends that the House take note of its report.

About Air New Zealand

Air New Zealand is New Zealand's largest domestic and international airline, providing air passenger and cargo services. It is a publicly listed company on the New Zealand and Australian stock exchanges. The Crown is the primary shareholder, with a 51 percent shareholding.

The airline operates a fleet of 112 aircraft and employs approximately 12,274 people. We met with the chief executive, Greg Foran, and board chair, Dame Therese Walsh on 13 February 2025 to discuss its performance.

Summary of 2023/24 performance and audit results

In the year ended 30 June 2024 Air New Zealand's operating revenue totalled \$6.752 billion, an increase of 6.7 percent from 2022/23. Total expenditure in 2023/24 was \$5.811 billion, up 15.2 percent from the previous year. Air New Zealand reported a net profit of \$146 million for the 2023/24 year, down from the previous year's profit of \$412 million.

The airline reported that several factors—such as economic slowdown and aircraft engine issues—put pressure on profitability in 2023/24. This saw the company's financial performance dip, after the uplift in results in 2022/23, following the COVID-19 pandemic.

Financial trends

	2020/21 \$million	2021/22 \$million	2022/23 \$million	2023/24 \$million	Change in 2023/24
Revenue	2,517	2,734	6,330	6,752	6.7%
Expenditure	2,183	2,738	5,044	5,811	15.2%
Net profit or (loss)	(292)	(591)	412	146	—

Audit results

The Auditor-General's independent auditors issued a standard audit report for Air New Zealand, indicating that they were satisfied that the information provided fairly reflected its activities for the year.

Rolls Royce and Pratt & Whitney engine problems

The aircraft that form the backbone of Air New Zealand's short-haul and long-haul international operations are powered by Rolls Royce Trent 1000 engines, and Pratt & Whitney Geared Turbofans (GTF).¹ After entering service, it was discovered by the manufacturers that the Trent 1000 and GTF engines require maintenance at much shorter intervals than preceding engine designs. This has resulted in a global shortage of engines. Air New Zealand has been heavily affected by these shortages and has had to ground a number of 787 and A321neo aircraft. We talked to Air New Zealand about the effect the groundings have had on the airline's operations and what actions it is taking.

Air New Zealand told us that the aircraft groundings were a consequence of its young fleet. We learnt that, of about 40 787 aircraft grounded around the world, 5 belong to Air New Zealand. This represents about 35 percent of its fleet of 787s. Globally, 455 neo aircraft are grounded, of which 6 belong to Air New Zealand. Together, the 11 grounded aircraft represent about 5,000 seats per day missing from the airline's network. Air New Zealand noted that it has been more affected than other carriers as its fleet is made up of both aircraft-engine combinations.

We heard that the carrier's older 777-300ER aircraft, powered by General Electric GE90 engines, are much more reliable and have consequently picked up a large amount of the slack from the partial grounding of the 787 fleet. To cover for some of the capacity shortfall, the airline has leased two additional 777-300ER aircraft and is attempting to source a third. It is also negotiating the lease of an additional A320neo. Attempts to lease additional aircraft have been complicated by a highly competitive global leasing market. Air New Zealand has had to suspend several routes, including Auckland to: Seoul, Hobart, and Chicago in order to deploy its limited international capacity onto higher-performing routes.

Air New Zealand told us that it would be 2–3 years before the majority of the grounded aircraft are able to re-enter service.

Relationships with key suppliers

We discussed Air New Zealand's relationships with key aircraft and engine manufacturers. As a small airline relative to many of its global competitors, and serving a relatively small market, these relationships are key to securing competitive pricing and timing for new purchases and the maintenance of existing assets.

Air New Zealand told us it has good relationships across the global aviation industry. We heard that the newly appointed CEO of Boeing had visited Air New Zealand only two weeks before our hearing. This was only the second time that a Boeing CEO had visited New Zealand. In turn, senior Air New Zealand staff have visited the Boeing factory in South Carolina where its new aircraft are due to be built. We heard that the airline's leadership is also in regular contact with Rolls Royce, Pratt & Whitney, and other key suppliers. The airline told us that these relationships had proven to be beneficial to the airline and had

¹ These aircraft are Airbus A320/21neos and Boeing 787-9s; some Airbus A321neos are also used on main-trunk domestic flights.

resulted in compensation from Rolls Royce and an agreement with Pratt & Whitney to invest \$150 million into the two companies' joint engine maintenance facility.

The role of fleet shortages in regional service cuts

In 2024 Air New Zealand announced that it would cease service on a number of regional domestic routes and reduce frequencies on others.² We asked whether fleet shortages were a contributing factor to these cuts. We also asked if Air New Zealand was hoarding the slots freed up by these cancellations.³

Air New Zealand told us categorically that it does not slot hoard. It noted that the only slot constraints it encountered were in Auckland during the morning peak period. It acknowledged media reporting relating to slot hoarding by Australian airlines in Australia, but assured us that this is not occurring in New Zealand.

We heard that the airline had in the past operated smaller 19-seat aircraft which allowed it to operate to many smaller regional ports. The airline told us that these aircraft had added an additional layer of costs for additional pilots, training, and spare parts. These additional costs were spread across fewer seats than on the airline's larger planes. It had instead put its focus into ensuring that it provided an efficient and reliable service to larger centres such as Taupō, Timaru, Rotorua, and Whangārei with its 50-seat Q300 aircraft. The airline said it believed its current fleet mix was effective, and noted that it added a level of competition between Airbus and Boeing when the airline went to the market for new aircraft.

Relationships with regional carriers

While Air New Zealand is by far New Zealand's largest domestic carrier, a number of smaller airlines operate services to regional centres that it does not serve. Airlines such as Sounds Air, Air Chathams, and Barrier Air operate flights using smaller aircraft and with lower cost bases. This allows them to operate services to centres that are not sustainable for Air New Zealand. We asked about Air New Zealand's relationship with these carriers, and whether it has a policy not to compete with these small airlines. We are also aware that there have been discussions in the past with some of these airlines about forming interline agreements.⁴ We asked why this interline has never taken off.

Air New Zealand noted that even though the various carriers operate in the same ecosystem and at times work cooperatively, they are still competitors. It is important for Air New Zealand to maintain a balance. We learnt that it had met with all the smaller airlines and outlined to them what routes it intends to fly and what routes it plans to avoid. The airline noted to us that it did not have any intentions in the short to medium term to fly to any additional domestic destinations beyond the 20 it already serves. We heard that the regional carriers the airline has met with have been grateful for this assurance from Air New Zealand.

² <https://www.rnz.co.nz/news/business/535539/air-new-zealand-makes-more-cuts-to-domestic-network>.

³ Slot hoarding occurs when airlines operating at a congested airport schedule flights that they do not intend to operate in order to acquire "slots" that subsequently cannot be acquired by competitors.

⁴ An interline agreement allows passengers to change from a flight on one airline to another flight on another airline without needing to book both flights separately.

Air New Zealand acknowledged that it has had discussions around interline agreements with various regional airlines. We heard that the situation varied from airline to airline and that Air New Zealand was working with various airlines to try to get these interlines under way. It noted that factors delaying these interlines included the costs that regional airlines could bear and the number of passengers connecting.

Electric aircraft

In December 2023 Air New Zealand announced that it had ordered a small electric ALIA cargo aircraft from BETA Technologies, with delivery planned for 2026.⁵ At the time the airline said, “by flying the ALIA, we hope to advance our knowledge and the transformation needed in the aviation system in Aotearoa for us to fly larger, fleet replacing, next generation aircraft from 2030”. We discussed this purchase with the airline and its broader strategy for electric aviation.

Air New Zealand told us that New Zealand’s unique geography makes the country uniquely suited for experimenting with electric aircraft. “We’ve got sort of disparate places that you can fly an electric aircraft between, so it opens up a world of possibilities for us.” We heard that the problem at present is the lack of perfect information on the performance of electric aircraft, but the airline wants to “lean in” to the challenge. It told us that when it begins transporting cargo between Wellington and Blenheim in 2026 it will be the first airline globally to operate a commercial aircraft of this class.

We noted that the selection of the Wellington–Blenheim route for the trials was appropriate given that this was the route of New Zealand’s first airmail service.

De Havilland Canada Q300s

Air New Zealand’s 50-seat Q300s are the smallest aircraft in the carrier’s fleet. These aircraft play a significant role in connecting smaller regional centres, with ATR 72 aircraft connecting larger regional centres. We noted that Air New Zealand was the last airline to receive delivery of Q300s before production ceased in the mid-2000s. We acknowledged the quality of the aircraft but noted that Air New Zealand intends to keep them in service for another 10 to 15 years. This would see the planes having an average age of 27–32 years. We discussed this with Air New Zealand.

Air New Zealand delivered high praise for the quality and versatility of the Q300. It noted that the aircraft was capable of landing on gravel and grass runways and had been built with a design life of 40 to 50 years. In about 2018 the manufacturing rights had been sold from Bombardier to De Havilland Canada, a revival of the aircraft type’s original designer. Following the sale of the Q300 production line, manufacturing of spare parts for this type of aircraft ceased. This spare parts shortage has severely impacted the reliability of Air New Zealand’s Q300 fleet, leading to an increase in delays and cancellations on the airline’s regional network.

⁵ <https://www.airnewzealandnewsroom.com/press-release-2023-air-new-zealand-announces-betas-alia-as-launch-aircraft-for-missionn-ext-gen-aircraft-programme>.

Air New Zealand said it is in communication with the manufacturer to help ease parts shortages for the type. We heard that De Havilland planned to resume the production of spare parts shortly. One additional option also being considered is for Air New Zealand to be licensed to manufacture parts for the plane in-house. Due to these actions the airline expects to be able to secure a stable supply of parts for its Q300 fleet which will ease disruptions to its regional network and allow it to operate the Q300 fleet into the medium term.

International expansion

We discussed Air New Zealand's international expansion plans in the context of its ongoing fleet struggles. We raised the fact that some major markets such as India lack direct connections to New Zealand. We asked whether it plans to lease any additional aircraft to help it expand its international route network.

Air New Zealand told us it is constantly scanning the aircraft available in the international leasing market in the hope of finding additional aircraft that meet its fleet requirements. An international aircraft lessor was coming to meet it soon. It added that although its fleet is currently constrained, it is due to begin taking deliveries of additional 787 aircraft in 2026.⁶

We heard that Air New Zealand is investigating potential future routes that it could launch once it overcomes its current capacity constraints. It is actively working toward starting flights to India as well as resuming flights to London which were dropped in 2020.

Sustainable aviation fuel

Sustainable aviation fuel (SAF) is a liquid fuel currently used in commercial aviation which reduces CO2 emissions by up to 80 percent. It can be produced from a number of sources (feedstock) including waste oil and fats, green and municipal waste, and non-food crops.⁷ In December 2024 Air New Zealand announced that it had agreed to purchase 30 million litres of SAF for use on flights from Los Angeles and San Francisco through to the end of 2026.⁸ We asked about its experiences with SAF, including the costs and challenges associated with its use. We also asked about the regulatory settings involved in its use and whether current settings provide a level playing field.

Air New Zealand said that, as an organisation that burns significant amounts of fossil fuels, it sees SAF as a key component to a sustainable future. It maintains a substantial sustainability team which it is continually working to expand. It also calls on an independent sustainability team made up of experts from around the world who advise it on sustainability matters. The airline noted that while it has recently dropped its SBTi 2030 target it remains committed to sustainability. We heard that in 2025 almost 2 percent of Air New Zealand's total fuel use will be SAF.

⁶ Air New Zealand has an order with Boeing for 8 additional 787 aircraft. They will be powered by General Electric engines in place of the Rolls Royce engines on the current fleet.

⁷ <https://www.iata.org/en/programs/sustainability/sustainable-aviation-fuels/>.

⁸ <https://www.airnewzealandnewsroom.com/press-release-2024-air-new-zealand-purchases-30-million-litres-of-sustainable-aviation-fuel>.

We heard that among the biggest barriers to wider adoption of SAF was the cost—about 2 to 3 times the cost of traditional fuels—and inconsistent global requirements for its use. The airline told us that it would be possible to build a SAF plant in New Zealand, but to get enough demand to warrant this, airlines would need to be mandated to use SAF.

Planning for increased weather volatility

We asked Air New Zealand what planning it had undertaken given the risks of increasingly volatile weather conditions.

The airline told us that safety is the most important thing it does. Its planes are equipped with the latest equipment and its aircrew are highly trained. Air New Zealand told us that its pilots are free to decide not to proceed with a flight if they are not 100 percent convinced that the weather conditions or the plane are safe to fly in. It said that beyond anecdotal evidence there is not yet enough data to conclude what effect climate change will have on commercial aviation.

The airline added that, despite the environmental impacts of flying, it had to balance its environmental obligations against its responsibility to ensure that New Zealanders are connected across the country and that New Zealand is connected to the world.

Pricing of domestic air travel

Air New Zealand operates a monopoly on many of the domestic and regional routes that it services. We asked whether, given its monopoly position, it thought it was doing enough to ensure that New Zealanders had adequate and appropriately priced domestic air connections. We noted that in three quarters from 2022 to 2023 airline pricing had been a key factor in driving inflation. We asked whether the airline believes the Government should take a more active role in airfare pricing.

Air New Zealand said that its monopolistic position in the New Zealand market was a result of New Zealand's small population. It noted that Australia, with a population of 27 million, is serviced by only two main airline groups: Qantas (which also operates Jetstar) and Virgin Australia. We heard that Air New Zealand had about 70 planes serving the domestic market while Jetstar, New Zealand's second largest domestic airline, has 5.

The airline told us that it does not believe that its domestic fares are overly expensive and consequently does not support government intervention in the price of airfares. We heard that, of a \$75 fare between Auckland and Wellington, \$51 was spent on paying for AvSec and airport charges. We heard that between 2019 and 2025 airport charges have increased by 92 percent. Air New Zealand acknowledged that its prices have increased over the past few years but told us that its costs have risen even more. We heard that the airline's costs have increased by 30 percent but its airfares have only increased by 24 percent.

Air New Zealand also pointed out to us the high cost involved in purchasing new aircraft. A new jet can cost from \$70 million up to \$180 million. Even a small ATR can cost \$30 million.

Disruptions to regional travel

Several of us represent regional electorates or often travel on Air New Zealand's regional network. We relayed to Air New Zealand that the number one frustration we hear from people in regional centres about Air New Zealand is disruption to travel caused by delays and cancellations. We asked if the airline cancels flights when low passenger numbers make a flight uneconomical to run.

Air New Zealand apologised for the number of delays and cancellations that have been affecting its regional network. It acknowledged that the number of disruptions is too high and not at a level it considers acceptable. The airline denied cancelling flights due to low passenger numbers. It said that once a flight was scheduled it was committed to operating it due to the rostering of the aircraft, crew, maintenance, and catering.

We heard that a major factor causing delays and cancellations in regional ports was the age of the Q300 fleet, leading to more maintenance problems, and a lack of engineering staff in smaller ports. We heard that as a partial solution to this the airline was working to hire engineers in larger regional ports such as Napier and Tauranga. The airline said it was working hard to increase the size of its engineering workforce but this was being slowed by the time needed to train a new engineer and global competition for qualified aircraft engineers. To avoid delays, it has contracted third parties in some ports and temporarily redeployed staff during big events, such as to Gisborne during Rhythm and Vines.

The airline told us that it is also working with suppliers to increase the speed at which it was able to source spare parts for its regional fleet. We also heard that the airline was investigating the possibility of cancelling flights at busier ports with more rebooking options to redeploy assets to smaller locations with less options to rebook.

Air New Zealand's relationship with Auckland Airport

Auckland Airport is by far Air New Zealand's largest hub; conversely, Air New Zealand is by far Auckland Airport's largest carrier. Auckland International Airport Limited (AIAL) is currently undertaking the construction of a new domestic terminal for domestic jet services as an extension of the current international terminal. This \$2.2 billion project will be partly funded through raising the per-passenger fee charged to airlines operating at the airport.⁹ While Air New Zealand agrees with the need to replace Auckland Airport's ageing domestic terminal, it and AIAL have publicly disagreed over the scope, price, and funding of the new terminal. We asked Air New Zealand for its perspective on the issue.

Air New Zealand told us it was supportive of the need for development at Auckland Airport. It was not supportive, however, of a development that it believes goes beyond the scope of what is needed at the airport. The airline said it was concerned about the number of shops and second tills that would be included in the new terminal, providing revenue to AIAL but which will be paid for by the airlines.

The airline noted that in the previous financial year it had paid AIAL \$120 million in fees. While Air New Zealand acknowledged that the fee is low relative to other major airports

⁹ <https://corporate.aucklandairport.co.nz/news/latest-media/news-articles/building-for-the-long-haul-auckland-airport-to-partner-with-hawkins>.

globally, it told us that it is concerned that, as the airport expands, the fees will increase to \$350 million in 2027 and \$500–600 million by 2032. The airline told us that it supports a review of AIAL’s investment plans and related charges to airlines. The airline also recommended that we write to AIAL for its point of view.

Pilot training

Global forecasts predict a shortage of 80,000 pilots by 2032, with New Zealand facing a shortfall of 400 pilots by 2034. We discussed Air New Zealand’s efforts to address this gap through its recruitment and pilot training initiatives.

Currently, Air New Zealand employs around 1,700 pilots, though it faces a current shortfall of approximately 100 to 120 pilots. To help bridge this gap, the airline has introduced a pilot cadetship programme, designed to train new pilots and reduce this shortage. This programme will see Air New Zealand covering 50 percent of the total training costs. Through this initiative, the airline plans to train up to 30 individuals who might not have had the chance to pursue a career as pilots otherwise. Air New Zealand has partnered with a flight school in Arizona for the initial phase of the cadetship programme. Upon completing their training, the cadets will join the airline and start flying its ATR 72-600 fleet. In response to a post-hearing question, Air New Zealand told us that it believes change is required in the way pilot training is structured in New Zealand.¹⁰ It told us that the training that is delivered in New Zealand and funding that is available to pilots has not kept pace with industry’s needs.

Other matters considered

We also discussed the following matters. For more detail, refer to the pages noted below in the Hansard transcript of our hearing, available on the [Parliament website](#).

- The Government’s role in any inquiry into a review into airport pricing (*Transcript p 33*).
- The role of the Bombardier Q400 in Air New Zealand’s fleet (*Transcript p 12*).
- The security of the supply of aviation fuel (*Transcript p 17*).
- The possible extension of timeliness reporting to regional operations. (*Transcript p 27*.)

¹⁰ Air New Zealand (Responses to Annual Review Questions 208–247) – Question 244.

Appendix

Committee procedure

We met between 13 February and 27 March 2025 to consider the annual review of the Air New Zealand. We conducted a standard annual review, hearing evidence from Air New Zealand on 13 February 2025 for 122 minutes. We received advice from the Office of the Auditor-General.

Committee members

Andy Foster (Chairperson)
Dan Bidois (from 29 January 2025)
Hon Julie Anne Genter
Mariameno Kapa-Kingi
Cameron Luxton
Hon Kieran McAnulty (from 12 March 2025)
Grant McCallum (until 29 January 2025)
Tom Rutherford (until 29 January 2025)
Stuart Smith (from 29 January 2025)
Tangi Utikere
Arena Williams (until 12 March 2025)

Related resources

We received the following documents as advice and evidence for this annual review. They are available on the [Parliament website](#), along with the [Hansard transcript](#) and [recording of our meeting on 13 February](#).

- Office of the Auditor-General (Briefing on Air New Zealand).
- Air New Zealand (Responses to written questions).