New Zealand House of Representatives
Te Whare Māngai o Aotearoa

**Transport and Infrastructure Committee**
Komiti Whiriwhiri Take Waka, Take Hanganga

54th Parliament
March 2025

# 2023/24 Annual review of the Airways Corporation of New Zealand Limited

Presented to the House of Representatives
by Andy Foster, Chairperson

# Contents

# Airways Corporation of New Zealand Limited

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

## About the Airways Corporation of New Zealand Limited

The Airways Corporation of New Zealand (Airways) is a state-owned enterprise providing air navigation services across New Zealand's airspace. It is responsible for providing air traffic control and infrastructure services to an area of over 30 million square kilometres, which includes a significant area outside New Zealand. Airways states that its purpose is to provide "safe skies today and tomorrow".

Airways International, a commercial subsidiary of Airways, provides airways training, software solutions, aeronautical design, and other aviation services worldwide. It generates approximately 20 percent of Airways business. Airways also manages AirShare, a traffic management system for people who want to use unmanned aerial vehicles or drones in New Zealand airspace.

In 2023/24 Airways employed 878 staff in Auckland, Wellington, and Christchurch. We heard from the chair of the Airways board, Denise Church, chief executive James Young, and their team.

## Summary of 2023/24 performance and audit results

In 2023/24 Airways' revenue totalled $273.34 million, an increase of 23.7 percent from the previous year. Airways International generates 15 percent of Airways' revenue. Total expenditure was $244.39 million, an increase of 15.3 percent. Airways reported an operating profit after tax of $14.46 million, a significant increase on 2023/23's profit of $5.43 million. It returned a $20 million dividend to the Crown as its shareholder.

### Financial trends

| | 2020/21 $million | 2021/22 $million | 2022/23 $million | 2023/24 $million | Change in 2023/24 |
| --- | --- | --- | --- | --- | --- |
| **Revenue** | 148.27 | 144.60 | 221.02 | 273.34 | 23.7% |
| **Expenditure** | 138.14 | 194.90 | 211.99 | 244.39 | 15.3% |
| **Net surplus or (deficit)** | 10.13 | (50.30) | 5.43 | 14.46 | — |

### Audit results

On behalf of the Auditor-General, the independent auditor issued a standard audit report. The auditor rated Airways' management control environment as "very good". Its financial information and supporting system and controls were rated "good", with some improvements recommended.

## Non-financial performance

In 2023/24 Airways managed almost half a million flights, through airspace covering about 6 percent of the surface of the globe. No serious mid-air near-misses were attributable to the company. Airways currently services 19 New Zealand airports.

In October 2023, Airways launched a new air traffic management platform operating out of two new surveillance centres in Auckland and Christchurch. Its success was recognised globally with the Overall Excellence and Resilience awards at the 2023 Global Air Traffic Management awards. We are impressed by Airways' capabilities and performance.

## Financing new initiatives

Most of Airways' revenue derives from charges to airlines and other aviation users. We asked how Airways funds new initiatives such as the new Auckland air traffic control tower, discussed below. Airways said it accesses bank funding for new initiatives, and that customers pay for using Airways assets. Its pricing is not regulated, but it told us it has adopted a regulatory pricing framework and actively consults with the aviation industry on all capital investments as well as adjustments to operating costs.

Airways' capital plan investment is predicated on the user-pays model. Airways said that the Air Navigation System Review found that the model is appropriate as the primary source of system funding but noted that it does not cover all system requirements.

Airways told us that the long-term outlook for New Zealand air traffic remains strong. In 2024/25 domestic air travel, which comprises 60 percent of Airways' revenue, has recovered to 93 percent of 2019's pre-pandemic volumes. International travel has recovered to 84 percent.

## Replacement for the Auckland aircraft control tower

We asked Airways about its ongoing project to replace Auckland International Airport's air traffic control tower, one of its six strategic priorities for the last financial year. We noted that in 2023/24, Airways decided to discontinue the associated digital tower project. Digital tower technology allows controllers to manage air traffic remotely. High-definition cameras and surveillance sensors replicate the view controllers would have from a conventional tower.

We heard that Auckland's proposed digital tower was contingent upon it being appropriate for Auckland airport, which is currently being reconstructed and has "very low risk thresholds". Airways said that, due to the lack of an international regulatory standard for digital towers, the regulatory pathway to certifying digital operations is lengthy and difficult. Further, the long-term cost of a digital tower is greater than that of a physical tower.

Airways told us it has decided to build a new, conventional tower for Auckland airport that can be digitally augmented. It expects to conclude consultation with the air sector on the tower by April 2025. The initial estimated budget for the tower is $39.5 million. We heard that the new tower will be fit for the future, given that in 10 to 15 years a second Auckland runway may be digitally controlled.

## Considering the timeliness of flights

In 2024 Airways commissioned independent research on digital aerodromes, which sought the views of air industry stakeholders. The subsequent report recommended implementing digital aerodromes, managed remotely by two hubs, at 15 regional airports over 15 years. The report also proposed that the four major airports should be back-up facilities without digital solutions.

With a view to increasing the efficiency and timeliness of air services, we asked Airways to describe its progress towards installing digital towers. Airways told us that digital technology is not yet mature enough to warrant installation of solely digital towers at major New Zealand airports. Further, a hub that serves several airports would be needed to use the technology efficiently and effectively.

We heard that, due to cost, Airways cannot always staff control towers to accommodate flights that are delayed beyond its operational hours, so flights are sometimes cancelled. Airways and its regulator, the Civil Aviation Authority (CAA), are discussing how to overcome staffing issues using surveillance. Airways said it is also working with the CAA on allowing delayed planes to land under certain conditions without the air traffic control service: internationally, this is a general rule, but it is not yet allowed in New Zealand. We heard that this could increase the efficiency of air services by preventing late-running planes having to divert or be cancelled.

## Operating in a futuristic airspace

Airways described a future where uncrewed vehicles would “fly amongst aircraft”. In 2023/24 it worked with the developer of a self-flying air taxi on a trial that integrated an uncrewed craft into unsegregated, controlled airspace over Christchurch. Airways won an award at the 2023 Global Air Traffic Management Awards for its involvement. It is also collaborating with several countries and other vendors to develop a flight information management system that would integrate uncrewed aircraft into air traffic management systems.

Airways said that the current regulatory system is not up to speed with emerging airflight technologies, but it is “working as productively as we can”. It is discussing potential regulations for uncrewed flights with the CAA.

### The risk of uncrewed air vehicles

We asked Airways whether drones and other uncrewed air vehicles pose a substantial risk in New Zealand airspace. Airways told us that drone pilots are currently required to log each planned flight in controlled airspace on AirShare, Airways’ air traffic management system. It has also developed a safety management tool for developing situational awareness before flights. The tool is aimed at pilots of both crewed and uncrewed aircraft.

We asked whether individuals who fly drones in controlled airspace without authority are apprehended. Airways said that due to their small size, drones are less likely to register on airport radars and that finding a “workable and effective system” for drone detection has proved elusive. “Uncooperative drones” that have not filed a request on AirShare regularly fly around airports. Airways then closes the affected airport for 15 minutes, roughly the battery life of a drone. This reduces the risk caused by the drone but creates delays.

Airways told us it is looking at international procedures for drones, including telling pilots about drone hazards. It noted that aerodromes have responsibilities relating to security measures and the use of aerodromes by aircraft operators.

We asked whether Airways learns from international crashes and near misses between air vehicles in regulated space. Airways told us it is a signatory to the 1944 Convention on Civil Aviation, which established the core principles that permit international transport by air. It participates in international groups that learn from crashes and near misses. It said that Airways is an international example of a strong safety management system.

## 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.

- **Customer satisfaction**—Research reporting on customer satisfaction with Airways’ commercial work was intended for completion by late 2024. We heard that the board of directors would discuss the review in March 2025. *(Transcript pp 5–6.)*
- **Use of artificial intelligence**—Airways said that a strong AI component is being built into the flight management information system that is currently under development. Further, AI has been incorporated into Airways’ air traffic control system for many years because it co-builds its platforms with a US software company. *(Transcript p 9.)*
- **Engagement within the air industry**—Airways said that the 2023 report on the Air Navigation System Review identified that organisations in the air industry could engage better with one another. It is participating in various industry engagements. *(Transcript p 14.)*

# Appendix

## Committee procedure

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

## Committee members

Andy Foster (Chairperson)
Dan Bidois
Hon Julie Anne Genter
Mariameno Kapa-Kingi
Cameron Luxton
Hon Kieran McAnulty (from 12 March 2025)
Stuart Smith
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 2025 *(from 2:03:00).*

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