In Confidence

Office of the Minister of Transport
Chair
Cabinet Economic Development Committee

Options for supporting regional air connectivity

Proposal

1. I propose that Cabinet agree to a sustainable regional air connectivity fund, of $10 –12 million per year for three years, with a review after three years to ensure the fund is effective and confirm whether a smaller amount of funding is required in outyears.

2. I recommend that this be progressed as a budget bid as part of Budget 2020, given the benefits largely fall to the regions and because of cost pressures facing the aviation sector, or alternatively further work be undertaken on how the aviation sector could be levied, including what legislative change would be needed to provide for a levy, and how it would be collected and administered.

3. The proposed fund would subsidise infrastructure and services to support the provision of regional air connectivity essential for access to social and economic opportunities, and to deliver regional resilience.

4. I also intend to initiate a review of the joint venture arrangements at five airports partly owned by the Crown.

Executive Summary

5. Transport connectivity is important to the social and economic wellbeing of New Zealand and its regions, and air services play an essential role in this.

6. The quality and extent of regional air connectivity is at risk because many smaller airports, mostly council owned, cannot cover their operating and maintenance costs from the revenue they receive from their small user bases. These costs include airport infrastructure, navigational procedures, and regulatory compliance.

7. Ratepayers in some regions are contributing to the costs of maintaining airports. The scale of investment required makes this unsustainable and places a very heavy burden on some communities. Airport facilities are deteriorating and large, often deferred, upcoming maintenance and infrastructure costs will reduce capacity at regional airports or end scheduled services. In particular, many decades-old runways and terminals are becoming due for major refurbishment.

8. Over the last few years, Airways has changed its approach to smaller airports that are not used by its biggest customers. Where it had previously provided some power, lighting and air navigation services effectively without charge, it has begun to charge or has withdrawn services. This has added to the costs for airports. Changing regulatory requirements, such as for runway length or security, could also increase costs for airports.

9. Five regional airports are co-funded by the Crown through joint ventures, but the current appropriation for joint ventures ($2.5 million over 5 years) is not sufficient to manage costs and avoid deterioration of assets. Other regional airports do not have access to this funding.

10. The Government does not have a choice to do nothing in relation to regional airports. Around $11 million will need to be found by the Government to meet its legal obligations to joint venture airports over the next 5 years. More may be required if Airways transfers costs of airfield power and lighting onto airports. It is likely that over the next few years other airports will get to a point where they need a subsidy, or will stop operating, with significant regional impacts. Some of these airports are applying to the Provincial Growth Fund (PGF). However, the purpose of the PGF is to support regional economic growth rather than to maintain current assets, and it is not a sustainable solution.

11. Many other jurisdictions, including in Europe, the United States, Canada and Australia, recognise the importance of regional air connectivity by subsidising essential services that are not commercially viable.

12. Subsidies to assist struggling New Zealand airports to maintain infrastructure and scheduled services would reduce risk and would support an adequate level of service from the national network. This could be achieved by setting up a fund of at least $10 –12 million per year for this purpose.

13. This investment would:

    13.1. maintain local and national benefits from the economic and social activity facilitated by good air connectivity – including support for the general aviation sector which operates out of regional airports, and provides tourism and agriculture services

    13.2. allow New Zealanders, wherever they live, reasonable access to important services and opportunities – including medical, and professional services and business opportunities that cannot be provided efficiently by other transport modes

    13.3. fulfil part of the Government's responsibility and commitment to support regional communities and economies

    13.4. maintain airports that provide critical emergency and resilience functions.

14. The initial focus of the fund would be on access and resilience, and enabling the general aviation sector to continue to contribute to the economy. It would complement the PGF, which currently supports initiatives focussed on economic growth.

15. Funding would be available for the provision, renewal or refurbishment of core airport infrastructure (e.g. precision approach lighting; lit wind socks; taxiway lights; runway lights; apron lights; remote switching for lights; stand-by power; navigation beacons or support for satellite navigation; instrument flight procedures; terminals; sealed and marked runways of appropriate dimensions) to meet minimum safety and operating standards.

16. Applicants for funding would need to be able to show that despite good governance and appropriate charging they cannot cover costs from user bases or other airport revenue, or from reasonable impositions on local ratepayers.

17. The threshold for approval should be high, and consideration should be given to the access and resilience value provided by an airport relative to alternative transport options, including nearby airports.

18. The Ministry's preferred option for funding is Crown funding, as the main purpose of the fund is regional access and resilience, and fulfilling Government commitments to fairness, regional sustainability and better connected communities. It would also preserve general aviation services (e.g. tourism and agriculture services) in some areas, which is good for regional economies. Most other jurisdictions crown fund regional air connectivity for these reasons.

19. There are some benefits to the businesses and customers in the aviation sector from having a large and diverse regional air network. These include economies of scale and scope, greater network resilience, and feeder services to larger routes. However, I note the smaller airports likely

to be applicants to the fund are not all needed for aviation network resilience, and other medium to large airports could in many cases be serviced effectively by other modes of transport, rather than regional airports. These benefits could justify charging aviation sector participants a levy to cover some of the cost of the network. However, the costs of these levies would likely fall on airline passengers and shippers, many of whom would get little benefit from funding regional air connectivity.

20. The aviation sector has also had, or had planned, significant Government levy and fee increases over the last few months.

Agency	Levy change	Description
Airways	21.4% up	Charges to increase 21.4% over three years, starting 2019. As part of this there was a 12% increase on 1 July 2019. These are average increases, some users will pay more and some will pay less.
The Aviation Security Service (Avsec)	51% up	Charges to increase 51% over three years, starting 2019. As part of this, there was a 38% increase on 1 July 2019.
Ministry of Primary Industries (MPI) biosecurity	20% up	MPI is consulting on a proposal to increase levies by around 20% from 1 July 2020
Customs	12% up (estimate)	Customs levy fixed until July 2021. Expected to increase around 12% then (rough estimate).
The Civil Aviation Authority (CAA)	6.5% up (estimate)	The CAA is proposing an increase of around 6.5%. This will be out for consultation shortly, for implementation by 1 July 2020.
ETA (electronic travel authority) and IVL	New tax of $35 - $47	$35 IVL and $9-$12 ETA. ETA is paid by non-Australian visa-waiver visitors. IVL is paid by visa-required and most ETA-required visitors.

21. The Government is also proposing that New Zealand participates in the International Civil Aviation Organization led CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), which will create new costs to our trade and tourism sectors.

22. All these charges raise the price of airline tickets, which reduces access to transport and can constrain business and tourism, particularly when passenger growth has been lower than expected (see appendix 2), airlines are retrenching and airports face significant infrastructure costs. Adding another charge would have a significant impact on the sector and is likely to result in strong pushback.

23. If Crown funding is the approach preferred by Cabinet, I would seek funding through a budget bid in 2020.

24. If Cabinet wanted to explore a new aviation levy instead, further work would need to be undertaken on who to charge and how any levy would be collected and administered. It would also require legislative change as there is no appropriate levy charging mechanism.

25. Regardless of whether the proposed approach to subsidising air connectivity is adopted, I intend to review the arrangements around the Crown's part ownership and existing subsidy of five joint venture airports.

Regional air connectivity is at risk

26. New Zealand has good regional air connectivity, but levels of service are likely to decline as many operators of smaller regional airports cannot recover the high cost of maintaining their facilities from the fees they are able to charge airport users. Underinvestment has led to deterioration of aviation network infrastructure and infrastructure costs are rising. The burden on local ratepayers, who often support these airports, is heavy and in many cases unsustainable. (Appendix 1 shows the current good nationwide access to airports.)

27. Around $11 million will need to be found by the Government to meet its legal obligations to the joint venture airports over the next 5 years. However, this estimate may be conservative given increasing infrastructure costs and the fact that some of these airports may need to pay for lighting and power services currently provided by Airways (see below).

28. It is likely that over the next few years other airports will get to a point where they need a subsidy or will stop operating, with significant regional impacts. Some of these airports are putting in bids to the PGF. However, the purpose of the PGF is to support regional economic growth rather than to maintain current assets, and it is not a sustainable solution[1].

The benefits of regional air connectivity

29. Good regional air connectivity facilitates the movement of people and freight across the aviation system and provides connections with other transport modes. In addition to the regions served, it benefits the nation as a whole, as well as other parts of the aviation sector.

30. Benefits to the country as a whole from good regional air connectivity include:
    - economic benefits from having thriving regions
    - economic network effects, including economies of scale and scope due to more connections between consumers and producers
    - increased efficiency, as it can be cheaper for people to travel for services (such as specialised or complex medical services) than to replicate the services locally
    - increased connectivity and opportunities for domestic travel and trade
    - resilience to emergencies and disasters
    - a viable general aviation sector (private and small commercial operators, including tourism and agricultural services)
    - national cultural cohesion

The Challenges of maintaining Regional Air Connectivity

Airports face costs that cannot be met commercially

31. Airports have high costs – especially infrastructure costs – including large periodic bills for runway reseals and terminal upgrades. Many of these costs are independent of an airport's size, passenger volumes or revenue.

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[1] The Provincial Development Unit outlined the PGF investment approach for airports in a briefing provided to Regional Economic Development Ministers on 2 May 2019.

32. It is often difficult for smaller airports to sustain themselves from airport fees and charges (see below), or small ratepayer bases. For this reason maintenance is often deferred. This puts these airports at risk of deterioration, lower levels of service and ultimately risk of closure.

Technology changes and regulatory requirements may add to costs over time

33. A portion of an airport's costs is also fixed by having to meet regulatory requirements for airport facilities.

34. The Civil Aviation Authority (CAA) has reviewed its approach to approving the safety areas at the end of runways, which may mean that some airports have to extend their runways to retain their current level of service.

35. Airports also have to accommodate new technology, such as virtual control towers. These costs will be a challenge even for medium-sized airports. As satellite navigation becomes the norm for aviation, some of these airports may need new instrument flight procedures. These are properly surveyed approaches, designed for efficiency and safety, which must be regularly reviewed and updated. The Aircraft Owners and Pilots Association of New Zealand has identified around 30 regional aerodromes that they believe should have instrument flight procedures as part of the national aviation infrastructure.

Airways has withdrawn provision of air navigation infrastructure and air services from some airports

36. Airways is a State Owned Enterprise that provides air navigation services and infrastructure, which are paid for by the aviation sector participants that use those services.

37. Over the last few years Airways has been withdrawing from providing air navigation services at smaller airports that are not used by its biggest paying customers, or is now charging airports for its services. In some cases, it had previously maintained power, runway lighting and navigational aids for as little as $1 a year. This withdrawal, or increase in cost, makes sense given Airways' commercial focus. Airways may pull services out of more airports as Performance Based Navigation is implemented in New Zealand and fewer Ground-Based Navigation Aids are required.

38. Those airports must now either pay Airways or other providers the full cost of these services or forego them (which could affect reliability or safety).

39. Airways is also currently considering whether it should stay in the business of providing airfield power and lighting services. It is looking to free up capital for other uses and move this burden onto airports. This could increase costs for regional airports (and the Crown in relation to the joint venture airports) and further threaten their viability.

It is difficult for some regional airports to meet these costs

40. Smaller airports have few sources of revenue other than charging landing fees and fees for other aeronautical services to aircraft operators[2]. Regional air services also tend to be commercially marginal. Their customers – passengers and shippers – are very sensitive to price increases, so higher fees would risk losing them. As a result, airports are often unable to recover their full costs. Undercharging airlines amounts to an indirect subsidy, in many cases drawn from the region's ratepayers.

41. This is an ongoing problem. Airports that are not recovering their costs or are making only small profits are underinvesting in maintenance, so facilities are deteriorating.

42. NZ Airports, the association representing 31 New Zealand airports, suggests that airports with fewer than 200,000 passengers per year are unlikely to be commercially sustainable. On this

[2] Even so, these revenues can be so low that some joint venture airports make more from grazing farm animals than from aeronautical services.

basis, it identifies 12 airports that it regards as at risk[3]. These airports handle approximately 3 percent of departing domestic passengers.

43. While I do not have financial information about all these airports, the Ministry of Transport manages the Crown interest in five joint venture airports, all of which are considered at risk by NZ Airports, and which comprise a representative range of sizes below 200,000 passengers. The revenue and expenditure of these airports confirm that small airports tend to operate at a loss. The 2018 figures are shown below.

S 9(2)(b)(ii)

[redacted]

44. The Ministry of Transport is aware that these joint venture airports face large capital expenses and increases in maintenance costs over the next few years – half of which the Crown is obliged to pay[4]. The Ministry forecasts that the existing five year multi-year appropriation (2018/19 to 2022/23) of $2.5 million will be fully spent in its first two years, and that over five years there will be a funding shortfall of around $11 million. It is likely that other smaller airports face similar costs.

45. In contrast, the larger airports in which the Crown has a shareholding interest have much greater opportunities to generate revenue, both from aeronautical services and from meeting the terrestrial needs of passengers. Income from the latter can be considerable. For example, 56 percent of Dunedin Airport's revenue is from non-aeronautical business. Large airports can also capitalise on the other business generated by the airport. Christchurch Airport gets nearly a quarter of its revenue from property that is not providing services to passengers.

S 9(2)(b)(ii)

[redacted]

46. The Office of the Auditor-General has also expressed concern about the precarious viability of smaller airports, especially given their importance to the economic vitality and connectivity of the communities they serve. In 2016 it reviewed 19 airports and found that small airports were making a loss or small profits, and that they struggle to fund maintenance or improvements.

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[3] Chatham Island, Gisborne, Hokitika, Kaitaia, Kerikeri, Masterton, Taupō, Timaru, Westport, Whakatāne, Whanganui, Whangarei.

[4] Each joint venture airport arrangement is governed by a separate deed, and details vary.

47. The Auditor-General's report notes the fixed costs of maintaining an airport, and that these costs are high relative to the value of airports' assets – even for medium-sized airports. For example, the cost of overlaying the runway at Palmerston North Airport (433,961 passengers in 2017) was $3 million, and a full replacement would be $20 million. The report notes that this would be a substantial investment for an airport with assets of $61.5 million.

48. The Auditor-General's report emphasises the importance of airports as social infrastructure, contributing to connectivity and health as well as economic wellbeing, and contrasts this with the statutory obligation that they be operated as commercial undertakings. It notes that "in reality, many local authorities choose not to seek a full return on their investment. Instead, local authorities take the view that their community gets many other benefits from the air connections that the airport provides."[5]

49. NZ Airports is seeking Government support of the regional airports that are not commercially viable. In 2017, it published a position paper, *Linking the Long White Cloud*, in which it estimated the cost of providing such support for 12 airports, assuming a 20-year economic life for runway seals and major terminal upgrades, and including remedial runway work between full reseals. After consulting again with its members in 2019, NZ Airports provided the Ministry of Transport with updated estimates of funding requirements. These suggest that at least $21 million would be required for capital projects over 5 years to support regional air connectivity[6]. Publicly, NZ Airports has since referred variously to estimates of $20–30 million over five years, $32 million[7] and "more than $30 million".

50. NZ Airports suggests that for typical sizes of terminals and runways, the investment at each airport over 20 years is about $1.8 million for a major terminal refurbishment, and $2.1 million for runway work.

51. The Ministry of Transport confirms that this is in line with costs at the joint venture airports, but considers the estimates conservative. In particular, terminal refurbishments vary widely in cost depending on an airport's needs (and on discretionary design factors), but recent projects and proposals have been more expensive than the NZ Airports figures suggest. For example, two regional terminal upgrades have received grants from the PGF. Bay of Islands Airport received $1.7 million towards a total cost of around $4.9 million, and Gisborne Airport received $5.5 million towards a total of $12.5 million. In both cases, the existing terminals were no longer adequate; however, these upgrades are intended to accommodate growth in addition to existing demand.

52. Though it is a larger airport, the example of Palmerston North's runway work, mentioned above, shows that runway costs too can be much greater. s 9(2)(b)(ii) [redacted].

53. Also, as stated above, some of these airports may need to pay for lighting and power services currently provided by Airways, which would also increase these costs.

54. The assumption of typicality on which the NZ Airports analysis is based also may not hold. As an extreme example, it entails a calculation of costs for Chatham Islands Airport on the same basis as mainland airports, whereas we know that airport needs considerably more to bring it up to the required level. s 9(2)(b)(ii) [redacted]

55. Of the 12 airports identified as at risk by NZ Airports, 7 are designated lifeline utility airports under the Civil Defence and Emergency Management Act 2002. These airports must be in a position to "function to the fullest possible extent, even though this may be at a reduced level, during and

[5] Controller and Auditor-General, *Local Government: Results of the 2014/15 audits*, 2016

[6] NZ Airports included this estimate in its submission on the Civil Aviation Bill, which also suggests the government legislate to create a fund.

[7] NZ Airports also submitted an expression of interest to the PGF for this sum.

after an emergency." Though no level of service is guaranteed, this is a further consideration for investment.

56. There may also be airports other than these 12 that require support, such as Great Barrier Island, Picton, Kaikoura, Takaka, Alexandra, Te Anau and Stewart Island.

57. The Ministry of Transport estimates that the following additional funding is required to maintain regional air connectivity in New Zealand. (The estimate is based on a five year multi-year appropriation with an average of $12 million per year; it is expected that support would need to be ongoing, subject to review.)

Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5 & outyears
Air Navigation Services upgrade or replacement	$3.5 m	$3.5 m	$3.0 m	$3.0 m	$3.0 m
Runway Resurfacing and extension	$3.7 m	$3.7 m	$3.7 m	$3.7 m	$3.7 m
Terminal Refurbishment	$2.6 m	$2.7 m	$2.7 m	$2.7 m	$2.7 m
Miscellaneous[8]	$1.8 m	$2. 0 m	$2.0 m	$2.0 m	$2.2 m
Implementation	$0.5 m	$0.4 m	$0.4 m	$0.4 m	$0.4 m

How could the Government respond to the problems facing regional air connectivity?

One-off Budget Bid to address only joint ventures

58. The Government does not really have a choice to do nothing in relation to regional airports. It will need to find around $11 million to meet its legal obligations to the joint venture airports over the next 5 years. This estimate is based on the work we already know is required to maintain certification and meet regulations (such as fire safety and Civil Aviation Regulations). However, there is an ongoing risk that the airports may become non-complaint, unsafe, and may have to cease operations.

59. Furthermore, the anticipated work will not avoid further deterioration of these assets and will, of course, not help other regional airports.

60. As discussed above, regional airports provide social and economic connectivity and contribute to the resilience of the transport system.

61. We also know that where airports or their council owners have not been able to raise their share of the cost, maintenance is being deferred, airports are deteriorating, and in the short to medium term facilities will have to be repaired, replaced or shut down. Most residents of smaller regions could not just move somewhere with better air connectivity if that's what they preferred, and they would be disadvantaged if connectivity were reduced.

Ad hoc responses to problems are not sufficient or sustainable

62. The Government currently makes funding available through the PGF to capture opportunities for economic growth. s 9(2)(b)(ii) [redacted]

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8 Further security or other requirements could create infrastructure costs.

63. The PGF is focussed on regional productivity and is unlikely to invest in deteriorating airport facilities unless there is also potential for growth.

64. Furthermore, as the PGF is a three-year commitment, it is not a sustainable option for funding regional connectivity in the medium to long term. It is a short-term measure with limited scope.

65. Individual budget bids are also unlikely to be an efficient and sustainable approach to funding regional airports. Furthermore, the threshold for obtaining Budget funding is necessarily high, so for airports it is probably available only for immediately pressing crises and just-in-time responses.

Subsidise regional air connectivity

66. Doing nothing to support regional air connectivity, or responding only to crises, fail as sustainable approaches. The biggest costs facing airports – for maintaining their facilities – are foreseeable, as is their revenue potential. Costs relating to changing conditions – such as in regulations, technology, coastal erosion or patterns of use – are more difficult to plan for, but should be expected over the long term. Smaller airports cannot raise enough revenue from their operations to meet their costs – and this is an intrinsic feature of their business.

67. The only approach that would address the ongoing risks to air connectivity, or would enable improvement, is subsidising provision of the services the Government considers important.

68. To provide the necessary long-term confidence to the regions and the sector, this would require a dedicated fund. It would also require a mechanism to deal with the inherently lumpy year-to-year costs of renewing airport assets – such as allowing an annual appropriation to be carried over.

69. Given the conservative nature of the above estimated costs to airports, and considering administrative costs, a fund of $10–12 million per year for three years, with a review at this point and a potentially smaller amount in outyears, should be made available to subsidise regional air connectivity.

70. My proposals below set out an initial approach and a set of broad criteria. If Cabinet agrees to the fund, officials would further refine the approach and the criteria, so that we can be confident that the final scheme best meets the needs of communities and the aviation sector, and provides value for money.

The features of a regional air connectivity fund

Purpose

71. The subsidy scheme would be a rolling contestable fund, focussed on the safe and effective operation of regional airports and air services. Initially its focus would be on access to essential services, and regional emergency management and resilience, given the significant challenges currently facing smaller regional airports.

Scope

72. Funding would be available for critical infrastructure to keep airports operating. For example, the provision, renewal or refurbishment of precision approach lighting, lit wind socks, taxiway lights, runway lights, apron lights, remote switching for lights, stand-by power, navigation beacons or support for satellite navigation, instrument flight procedures, terminals, sealed and marked runways of appropriate dimensions.

73. Funding may also be necessary to develop plans or business cases for efficient investment.

74. It could also be used for infrastructure changes to meet new regulatory requirements.

Eligibility

75. The fund would be available to subsidise airports that receive or could receive scheduled air services, or which are regularly used by hospital transfer or charter flights, or which are important to the general aviation sector.

76. Each application would be assessed independently on its merits. An applicant's eligibility could change from one application to another, i.e. airports or services could fall in or out of the scheme if their situation changes.

Applications

77. Applicants for a subsidy would need to meet clear criteria. For example, an airport would need to show that funding was required to:

 77.1. ensure affordable and convenient access to important services and opportunities

 77.2. provide resilience and security for communities as part of the regional or national transport system and in emergency and civil defence response support.

78. Applicants should provide evidence of their inability to meet their full costs from airport revenue (i.e. demonstrate persistent bottom line losses) despite appropriate standards of management and governance, or from reasonable impositions on ratepayers. This would include charge-setting practices that balance actual costs against the ability of airport users to pay, compliance with legislation, and planning to show how the airport will make best use of its assets and land.

Allocation

79. Applications could be made from airports, or airports and regional councils, or airlines. Like subsidy schemes in other jurisdictions, the value or necessity of services would be assessed against criteria including: the number of people affected, travel time to access such amenities as hospitals or professional services, the frequency and quality of transport options, cost, the use of the airport by the general aviation community, and its role in provision of emergency services. There should be a high threshold for approval.

80. The necessity of services would be considered in light of the fact that, from a network perspective, the number and location of airports in New Zealand is not the result of strategic design. Some are quite close together or serve relatively small communities. Some communities might be more cost-effectively served by another option – such as a bus service to a different airport, or improvements in land transport infrastructure.

81. Broadly, criteria for evaluating funding requests would need to:

 81.1. assess the value of air connectivity to a region and to the nation

 81.2. consider the cost of guaranteeing connectivity (maintaining service or addressing a service gap)

 81.3. consider equity, for people and for businesses

 81.4. consider effects, positive and negative, that subsidies could have on markets providing services, including other transport services

 81.5. determine the most efficient provision of needed services

82. The Ministry of Transport has been considering criteria by which air connectivity to a region might be evaluated in New Zealand, such as the following.

 82.1. How far are people from airports?

 82.2. Where do services go?

 82.3. Is it possible to do a day's business in a large town or city?

 82.4. Are efficient alternative transport modes available?

82.5. How many people are served?

82.6. How easy is it to get to large city hospitals?

83. There are also broader considerations that should be factored into evaluations where relevant.

83.1. Emergency resilience (including medical transport, and search and rescue).

83.2. Disaster relief.

83.3. Benefits to the network (e.g. alternate airports in bad weather).

84. It is recommended that for many projects the fund should not cover the full cost of proposed work. This would be consistent with overseas programmes, the recommendation of the International Transport Forum, and our wider funding system. Recipients of subsidies – airport operators, service providers or end-users – would be required to pay a share. The cost of this local share would likely be borne by users of the service or ratepayers. This would reflect that most of the benefit is to the local community. It would also ensure that the projects proposed are valued by the community, and would encourage the accurate assessment of both needs and costs, and incentivise efficient proposals. The proportion of costs subsidised could depend on need or national value.

85. Allocation of grants under $1 million would be made by the Secretary for Transport, with decisions on larger sums made by the Minister of Transport.

Administration

86. Administration of the proposed fund would require, at least, resources to receive and manage applications, engage with applicants, evaluate applications, make decisions and distribute funds. The process would be similar to that for the joint venture airports appropriation, which is administered by the Ministry of Transport.

87. I propose that the Ministry of Transport should administer the fund. To properly cater for the expanded functions, the Ministry would need two FTEs to undertake the administration role, as well as access to specialist expertise. The administration cost is estimated at around $400,000 per annum.

Regional Air Services

88. Air connectivity requires not only airports, but airlines providing services to those airports. Airlines are, obviously, mobile and can follow opportunities around the country. With enough players, we should expect competition for routes and an effective market.

89. New Zealand is generally well connected by domestic air services, and I am not aware of significant ongoing gaps in service. However, we need to keep this under review. This will include understanding the impact of Jetstar's withdrawal of its services to Napier, Nelson, New Plymouth and Palmerston North.

90. S 9(2)(b)(ii) [redacted]

91. On 24 October 2019, Air New Zealand announced that it would schedule additional services on the affected routes during December. In the longer term, it is likely that Air New Zealand, Sounds Air, Air Chathams or other operators will fill any capacity gap left by Jetstar.

92. My officials will work closely with officials from the Provincial Development Unit to look at possible options to support the regional air services market in the wake of the Jetstar withdrawal, and will report to Regional Economic Development Ministers with options for intervention if required.

93. Depending on this work, and the scope of any intervention, the proposed regional air connectivity fund could also be available to directly subsidise air services, if gaps are identified in the provision of sustainable air services, and where these could not be provided commercially but are necessary to deliver access and regional resilience objectives.

Figure 1: Scheduled services in New Zealand

Review of the Fund

94. I propose the fund be reviewed within three years to consider evidence that it is meeting its objectives. At that time, I would also consider whether the fund needs to be $10–12 million in outyears or should be reduced.

Options for funding

Crown Funding

95. Crown funding would align with the principal reasons to subsidise air connectivity: the benefits of adequate regional connectivity, and equitable access to services and opportunities. Both of these concern the nation as a whole and justify a contribution from everyone.

96. The benefits to the country as a whole from good regional air connectivity were outlined in paragraph 30 above.

97. The Government has the same responsibilities to people living in smaller towns, and even isolated areas, as it does to people living near the main transport routes. While some of the disadvantages of regional life may be considered private trade-offs for its benefits, it is reasonable for all New Zealanders to expect access to certain levels of transport and services.

98. The Government also has responsibilities for social inclusiveness – ensuring involvement in national endeavours and activities – and for economic support of the regions. This is the reason why other jurisdictions have subsidised regional air connectively.

99. Administratively, this option is relatively simple. It would not require new taxes or extended consultation, and may not require changes to legislation.

100. The fund would need to be an ongoing multi-year appropriation with regular review of whether it is meeting its objectives.

101. Other jurisdictions, including in Europe, the United States, Canada and Australia, recognise the public benefit of regional air connectivity by subsidising essential services that are not commercially viable, through Crown funding. The Australian federal Government, for example, has several multi-million dollar programmes to fund regional airports and air services, including the Remote Airstrip Upgrade Program and the Remote Air Service Subsidy. The latter assists 366 communities of under 200 people, providing services through seven air operators. The federal Government has also recently announced an additional $100 million for a Regional Airports Program. The scope and operation of these funds is similar to what is proposed in this paper.

102. We also note that the Crown received a $10 million dividend from Airways last year, and that this dividend is expected to increase to up to $15 million over the next three years. This comes from the charges paid by aviation participants for its services. Some of the increase in dividend is due to efficiencies Airways has achieved by removing or charging more for air navigation services at regional airports (it was effectively not charging some airports). This has increased costs for these airports.

103. The disadvantage of Crown funding is that the money appropriated for subsidising regional air connectivity could be utilised elsewhere in the economy.

A new aviation tax

104. The main benefits, and focus, of the proposed fund are to ensure access and resilience; as stated above these are largely regional and public benefits.

105. There are some benefits to the businesses and customers in the aviation sector from having a large and diverse regional air network. These include economies of scale and scope, greater network resilience, greater choice for passengers, and feeder services to larger routes. In order to internalise these benefits, participants in the aviation sector could be required to pay a levy. Alternatively, based on the benefit to the country of a comprehensive network, a levy could be imposed as the price of being permitted to do business[9]. However, the costs of any levy would likely fall on airline passengers and shippers, many of whom would get little benefit from funding regional air connectivity. I also note that not all the smaller airports likely to apply to the fund are needed for aviation network resilience, and that other medium to large airports could be serviced effectively by modes of transport other than regional air services.

106. The aviation sector has also had, or there is planned, significant Government levy and fee increases over the last few months.

Agency	Levy change	Description
Airways	21.4% up	Charges to increase 21.4% over three years, starting 2019. As part of this there was a 12% increase on 1 July 2019. These are average increases, some users will pay more and some will pay less.
The Aviation Security Service (Avsec)	51% up	Charges to increase 51% over three years, starting 2019. As part of this, there was a 38% increase on 1 July 2019.

[9] In the United States, such taxes are known as privilege taxes – they are payable for the privilege of doing business in a local market.

Ministry of Primary Industries (MPI) biosecurity	20% up	MPI is consulting on a proposal to increase levies by around 20% from 1 July 2020
Customs	12% up (estimate)	Customs levy fixed until July 2021. Expected to increase around 12% then (rough estimate).
The Civil Aviation Authority (CAA)	6.5% up (estimate)	The CAA is proposing an increase of around 6.5%. This will be out for consultation shortly, for implementation by 1 July 2020.
ETA (electronic travel authority) and IVL	New tax of $35 - $47	$35 IVL and $9-$12 ETA. ETA is paid by non-Australian visa-waiver visitors. IVL is paid by visa-required and most ETA-required visitors.

107. The Government is also proposing that New Zealand participate in the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA), which will create new costs to our trade and tourism sectors. Larger airports have been building new infrastructure which has also increased costs for passengers at these airports.

108. All these charges raise the price of airline tickets, which reduces access to transport and can constrain business and tourism. Growth in passenger numbers is in fact slowing (see appendix 2) and recent numbers have been lower than was predicted. Introducing another aviation tax would be met with significant resistance from the sector and could reduce the competitiveness of the aviation sector and transport connections.

109. If Cabinet wanted to impose a tax on the aviation sector to cross-subsidise a national network, legislative change would be required. Under the Civil Aviation Act 1990, aviation levies may only recover the cost of specific services provided by the Civil Aviation Authority, and only from holders of aviation documents. A legislative change to impose a new tax would require extensive consultation.

110. A specific tax may also entail relatively high administrative costs, including building new administrative capacity. This would reduce its efficiency.

New joint venture arrangements

111. Given that five smaller regional airports do receive Government support, through co-ownership and joint venture agreements, one approach to extending support could be to extend joint venture arrangements to more airports.

112. The joint venture arrangements do subsidise some airports – giving them an advantage over similar airports – but are not ideal for either the Government or the airports. The airports are still constrained from important spending that their council owners cannot afford, or from spending that the Crown does not agree to. The Auditor General also reports that the joint venture airports have difficulty borrowing, because they do not have a capital structure.

113. To create new joint ventures, the Government would have to determine which airports are essential to the transport network or to local communities, and offer to enter into co-ownership or co-funding arrangements with the relevant councils.

114. Joint ventures like the existing arrangements would create legal obligations for Government – so would guarantee future funding. However, they would also bind the Crown regardless of the future efficiency of any funding, and would be inflexible to changes in where funding was needed.

115. I do not propose offering further joint venture arrangements. Rather our strategic approach to supporting air connectivity should entail a review of the existing joint ventures. A broader approach to supporting connectivity would make the joint venture airports even more anomalous than they are now. So, if subsidies for the sector are contemplated, the current joint venture ownership arrangements should be reviewed. However, I propose to undertake such a review in any case. A review would look to align the joint venture airports with a regional connectivity strategy, and would consider options including renegotiation of joint venture deeds or divestment. However, it is expected that altering these arrangements would be challenging and take *at least* 12–24 months.

Risks of Government Support

116. Subsidies can reduce incentives for efficiency and raise the costs of the transport network. They can also negatively affect the allocation of resources or upset neighbouring markets, which might be working.

117. These risks can be mitigated by having strict funding criteria, making careful funding decisions, reviewing applicants' financial positions or making funding contestable. Better efficiency incentives might be created by allowing airports to keep some portion of efficiency gains, or requiring applicants to share costs.

118. A review of arrangements for the joint venture airports, which is proposed along with the adoption of a more strategic approach to subsidies, could recommend changes. Any changes are likely to be legally complicated, could take some time to negotiate and implement, and could be controversial. However, an effective subsidy scheme would make support for change more likely.

Consultation

119. This paper has been reviewed by the Civil Aviation Authority; the Department of Internal Affairs; the Ministry of Business, Innovation and Employment; the NZ Police; and the Department of the Prime Minister and Cabinet. They are supportive of the paper and their feedback has been taken into account.

120. The Treasury has provided the following comment.

Treasury considers that the case for the government subsidising regional air connectivity has not been clearly established. The fact that some regional airports are not commercially viable is not in itself evidence of a market failure. Instead, it suggests that the benefits of connectivity do not outweigh the total cost.

If Cabinet has specific objectives for intervention, such as maintaining resilience, then more targeted and tailored policy interventions might be more appropriate and effective. Providing a general subsidy could undermine incentives to operate efficiently and is unlikely to solve the longer-term funding issues facing regional airports.

However, if Cabinet wishes to proceed with the establishment of a regional air connectivity scheme, Treasury recommends that it direct officials to undertake further work to develop the eligibility criteria and clarify whether Crown funding or a targeted levy on the aviation sector is the better funding source.

Financial Implications

121. The proposal is for ongoing operational funding of $10–12 million per annum to support sustainable regional air connectivity in New Zealand. Operating funding will be sought either from the 2020 budget or an aviation levy. The Ministry of Transport's preferred approach is for Crown funding.

122. The findings of the proposed review of the five joint venture airport arrangements may have implications for future appropriations to manage the Crown's interests. The existing multi-year appropriation, running from 2018/19 to 2022/23, is $2.5 million ($0.5 million per year). As noted, the Ministry of Transport forecasts that this will be exhausted by the end of the 2019/20 year, and will fall short of the Crown's liability over this period by approximately $11 million, necessitating further budget bids.

Legislative Implications

123. Currently airports are required to operate as commercial undertakings. NZ Airports has long argued that this is a perverse requirement for small regional airports, as most are not commercially viable. Consultation has just been completed on an exposure draft of the Civil Aviation Bill, which proposes to remove this requirement for all airports.

124. Imposing new levies or taxes would require legislative change.

    124.1. The Civil Aviation Act 1990 only enables levies to be imposed to recover the cost of the Civil Aviation Authority performing its specified functions.

    124.2. Currently, the Civil Aviation Act also only allows levies to be imposed on aviation document holders, so passengers or shippers could not be levied directly. The Civil Aviation Bill proposes broadening this to allow levies on all aviation system participants; however, this is not proposed to include passengers or shippers.

    124.3. Any new tax must be authorised by or under an Act of Parliament as required by section 22(a) of the Constitution Act 1986.

125. It may be necessary or useful to put in legislation any eligibility criteria for access to Government support for regional air connectivity, even if Crown funded, to reassure the sector of the long term sustainability of the approach.

126. The Civil Aviation Bill is expected to be enacted before the end of the parliamentary term in 2020, and could incorporate changes required to implement a regional air connectivity fund.

Impact Analysis

127. If the one-off bid for joint venture airports goes ahead, or if Crown funding is agreed to, this would not negatively affect participants in the sector, and a Regulatory Impact Assessment may not be required, subject to an exemption being granted by the Treasury.

128. If a new tax is proposed, extensive consultation with the sector will be necessary and the proposal will be subject to Cabinet's Regulatory Impact Requirements.

Human rights, gender and disability implications

129. The funding request has no implications for human rights except that the policy intent of the proposal would enhance freedom of movement by maintaining or increasing transport options. The proposal is not inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

130. The funding request has no gender implications.

131. The funding request has no direct disability implications. However, one function of regional airports, which this policy is intended to reinforce, is to enable medical services such as patient transfers, as well as access to facilities such as hospitals and specialist health care. Infrastructure funded by the proposal might also include facilities to improve access to airports or air services by people with disabilities.

Recommendations

132. The Minister of Transport recommends that the Committee:

1. **agree** in principle to the establishment of a dedicated fund of $10–12 million per annum to support regional air connectivity

2. **agree,** that the dedicated fund will be:

   2.1. subject to approval of a budget bid in Budget 2020; or

   2.2. further work will be undertaken on imposing an additional levy on the aviation sector (including who would be levied, how it would be administered and collected, and what legislative changes would be needed)

3. **agree,** if it is proposed to establish a dedicated fund:

   3.1. that the Ministry of Transport should administer the proposed fund

   3.2. that allocation of grants under $1 million would be made by the Secretary for Transport, and, for larger sums, by the Minister of Transport

   3.3. that the fund be reviewed in three years to consider evidence that it is meeting its objectives and that the sum appropriated is suitable

4. **note** that notwithstanding any decision on supporting regional air connectivity, I intend to initiate a review of the joint venture airport arrangements.

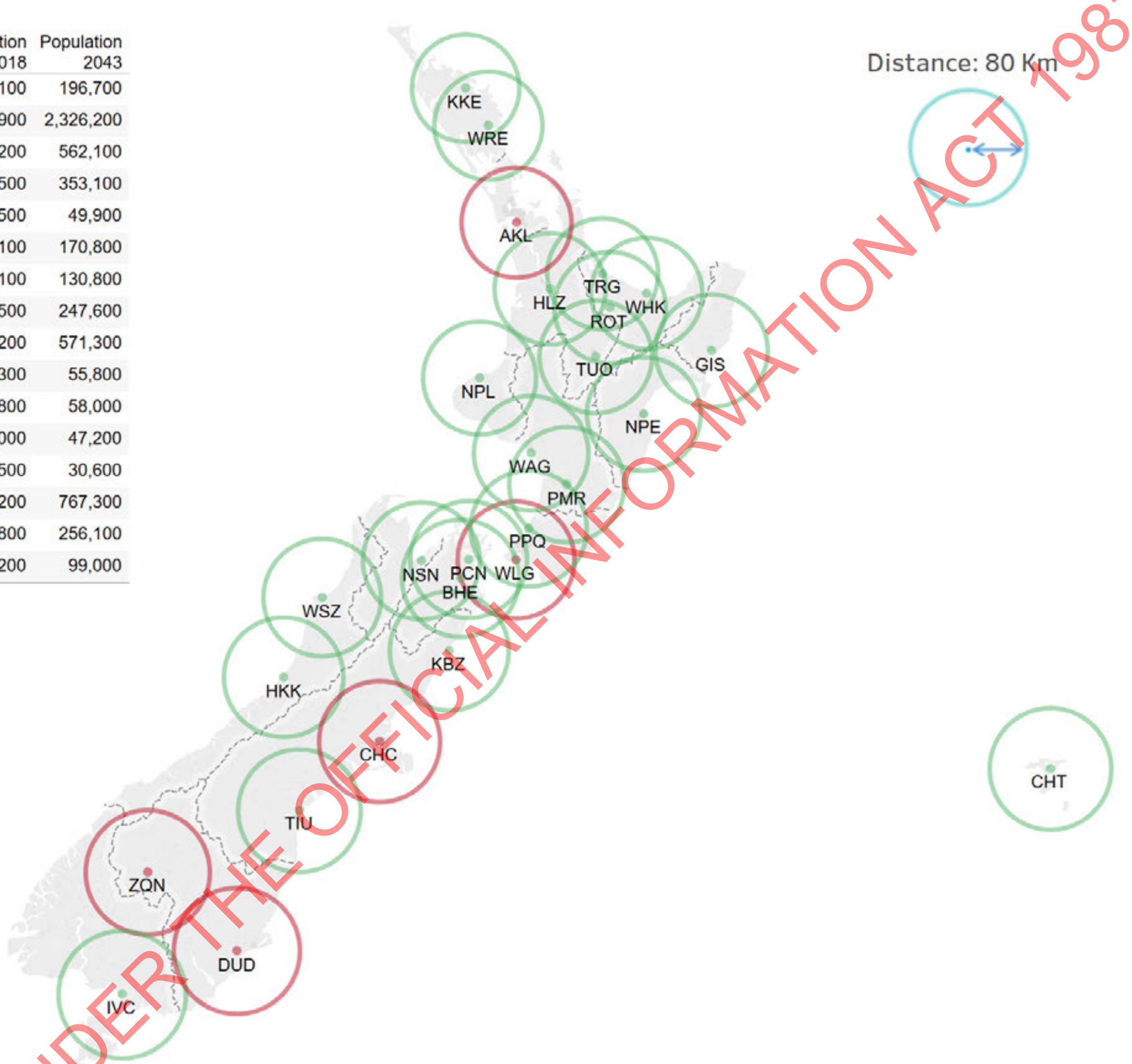
Authorised for lodgement

Hon Phil Twyford
Minister of Transport

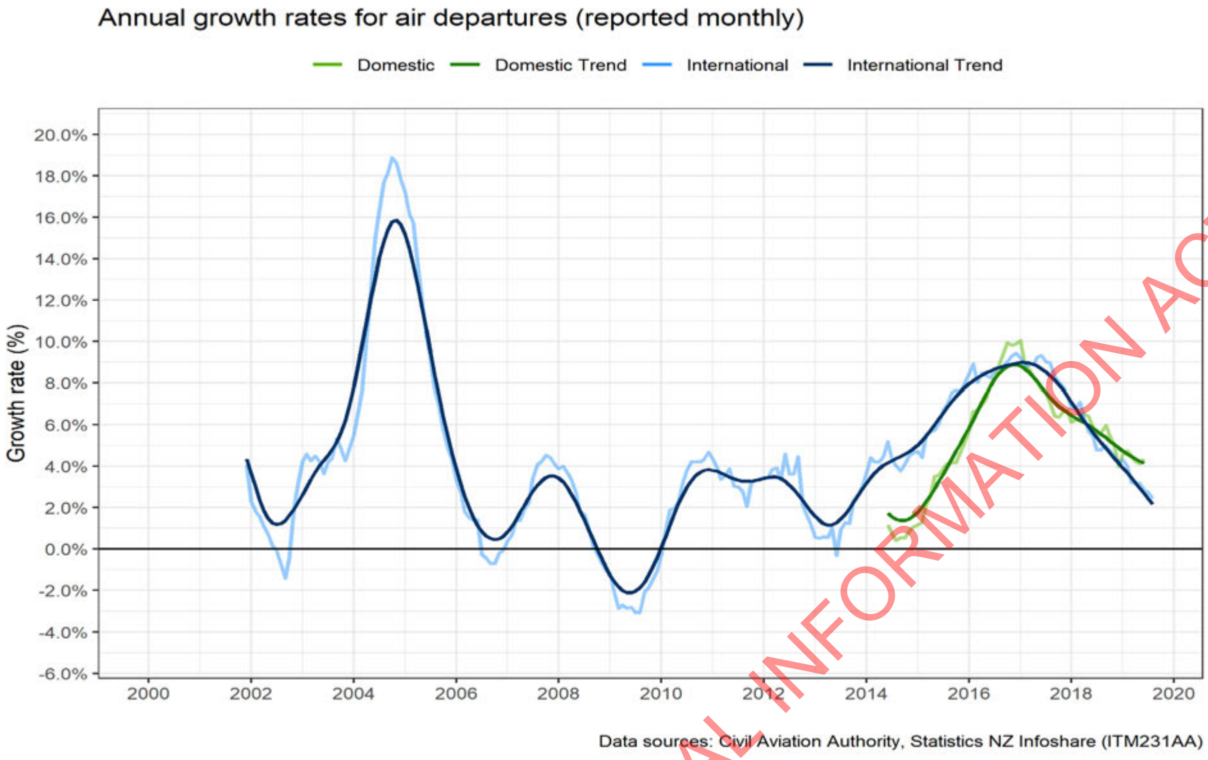
Appendix 1

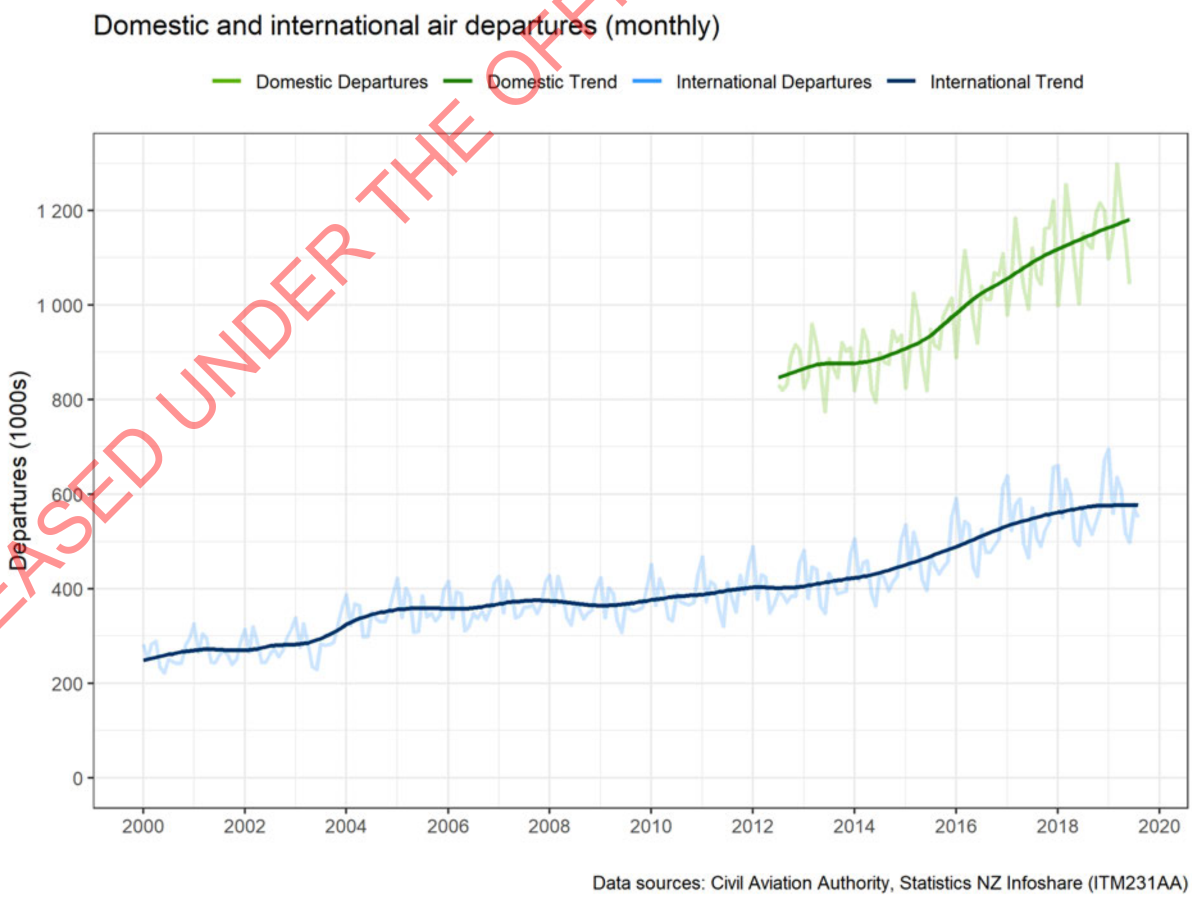
Access to airports in New Zealand

Region	Population 2018	Population 2043
Northland	176,100	196,700
Auckland	1,699,900	2,326,200
Waikato	467,200	562,100
Bay of Plenty	303,500	353,100
Gisborne	48,500	49,900
Hawke's Bay	164,100	170,800
Taranaki	119,100	130,800
Manawatu-Wang..	240,500	247,600
Wellington	515,200	571,300
Tasman	51,300	55,800
Nelson	51,800	58,000
Marlborough	46,000	47,200
West Coast	32,500	30,600
Canterbury	623,200	767,300
Otago	225,800	256,100
Southland	99,200	99,000



Appendix 2


Annual growth rates for air departures (reported monthly)
Domestic
Domestic Trend
International
International Trend
Growth rate (%)
20.0%
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Data sources: Civil Aviation Authority, Statistics NZ Infoshare (ITM231AA)


Domestic and international air departures (monthly)
Domestic Departures
Domestic Trend
International Departures
International Trend
Departures (1000s)
1 200
1 000
800
600
400
200
0
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Data sources: Civil Aviation Authority, Statistics NZ Infoshare (ITM231AA)

Office of the Minister of Transport

Chair

Cabinet

JOINT VENTURE AIRPORTS – APPROPRIATION ISSUES

Proposal

1. In relation to the Joint Venture Airport appropriation, this paper seeks Cabinet approval to:

   1.1. incur unappropriated expenditure of up to $0.700 million in 2017/18, which will require subsequent validation by Parliament under Section 26C of the Public Finance Act 1989

   1.2. convert the annual Joint Venture Airport appropriation to a multi-year appropriation from 2018/19 for five years.

Background

2. The Ministry of Transport (the Ministry) administers the Crown's interest in five regional airports (Whangarei, Whakatāne, Taupō, Whanganui and Westport) which are operated as joint ventures (JV) between the Crown and local councils. This arrangement is set out in the deeds agreed to between 1957 and 1973 with individual councils and the Crown.

3. Under the JV agreements the Crown is liable for 50 percent of any operating losses and capital expenditure (subject to pre-approval). Operation of the airports remains the responsibility of the individual councils.

4. As per a delegation signed in 1985, the Secretary for Transport has the authority to approve work, and provide the Crown's share (50 percent) of capital expenditure and operating losses at the Airports. The limit on this delegated authority is $0.300 million for any individual transaction. The Ministry does not require pre-approval for small capital expenditure claims under $0.010 million.

5. In 2015/16 the appropriation moved from a multi-year appropriation to an annual appropriation of $0.500 million with the scope of the appropriation being limited to "enhancements to JVs terminals and runways and the Crown's share of operating losses".

6. Historically, $0.500 million has been enough to cover capital expenditure and/or losses for the JVs. However, a delay in receiving audited financial statements resulted in a number of historic operating losses and capital expenditure being claimed this year.

7. In the 2017/18 financial year the Ministry has received claims totalling $1.122 million, which is $0.622 million over the current annual appropriation. This additional

expenditure will result in unappropriated expenditure of $0.700 million which will flow through to net debt, including a contingency of approximately $0.078 million.

8. Other appropriations in Vote Transport are expected to not be fully utilised and will be returning to the centre, and this amount will be more than the $0.700 million outlined in this paper.

Claims in 2017/18

9. Late in the 2017/18 financial year, the Ministry became aware of a liability totalling $1.122 million. This total is made up of historic operating losses and capital expenditure. These claims are made up of $0.703 million from Whakatāne Airport, $0.357 million from Whanganui Airport and $0.063 million from Westport Airport. These claims are broken down in Table 1.

S 9(2)(b)(ii)

[redacted]

10. Included in the $1.122 million is $0.226 million in claims that either did not receive pre-approval or were over the pre-approval limit. In the Secretary for Transport's delegations, capital expenditure must be pre-approved by the Secretary for Transport and, as this did not occur, the Ministry is not necessarily legally obliged to pay these claims.

11. The Ministry has assessed these claims and is comfortable that they represent legitimate capital expenditure and would have been pre-approved if a business case had of been submitted prior to commencement of work.

12. As a moral obligation to support the JV Airports, the Ministry recommends incurring the $0.226 million of claims that either did not receive pre-approval or were over the pre-approval limit as part of the total incurred unappropriated expenditure amount.

13. As a result of these claims an additional amount of up to $0.700 million is expected to be incurred against the appropriation. This is to allow for a contingency should any other liabilities present themselves. If the additional expenditure is approved, it will flow through to net debt and will need to be included in the Appropriation (2017/18 Confirmation and Validation) Bill for validation by Parliament. This will also be reported in the Ministry's annual report for 2017/18. This is required under section 26C of the Public Finance Act.

14. Other appropriations in Vote Transport are expected to not be fully utilised and will be returning to the centre, and this amount will be more than the $0.700 million.

2018/19 Joint Venture Airport appropriation

15. Based on estimated operating losses and known capital works, total claims on the 2018/19 appropriation are expected to be approximately $0.513 million. This is over the annual appropriation limit and hinders the Ministry's ability to approve and fund any further capital work.

S 9(2)(b)(ii)

[redacted]

16. The Ministry is committed to paying operating losses and pre-approved capital expenditure claims totalling approximately $0.369 million for 2018/19. There is also an additional $0.144 million in capital claims that the Ministry is aware of but has not yet been approved. These claims include:

16.1. Whakatāne Airport has requested $0.125 million of funding for a Runway End Safety Area (RESA), a regulatory requirement following the Supreme Court decision relating to Wellington International Airport Limited and additional funding of $0.069 million for a runway lighting project that is expected to be over budget. Part of the $0.069 will be incurred in 2017/18 and part will be incurred in 2018/19 as the project is due to be completed in July 2018. The Ministry anticipates that approximately $0.019 million of this work will fall into the 2018/19 financial year. At this stage, without Cabinet approval to move to a multi-year appropriation, the Ministry is unable to approve the RESA or the additional funding for runway lighting.

16.2. Whanganui Airport has started work on the demolition of two buildings and construction of a new garage and security system. This capital expenditure was pre-approved in September 2017 however, the project was delayed and the work will not be completed in the 2017/18 financial year. This means that approximately $0.028 million of this work will fall into the 2018/19 appropriation.

16.3. Westport Airport has suffered erosion and storm damage and has indicated that significant work will be required to repair its seawall. The seawall protects the runway and is required to ensure that the airport remains in operation. This is an ongoing issue and the Crown has already funded half of the existing seawall. Initial estimates show that this work could cost approximately $1.000 million and should this occur the Ministry will be looking to either submit a bid to Cabinet or increase the JV airport appropriation to fund this work.

17. Due to the cost of airport infrastructure, in general the Ministry would expect to submit a Budget bid or bid to Cabinet for large capital works, such as major terminal redevelopments and runway work as required.

The establishment of a multi-year appropriation for 2018/19

18. At this stage it is unclear what the anticipated claims for 2019/20 onwards will be. However, it is clear that in recent years operating losses have been increasing taking up more of the appropriation and limiting the ability of the airports to carry out and claim for capital works.

19. To mitigate the risk of exceeding the 2018/19 annual appropriation and to provide flexibility in out years, I am seeking to convert the current annual appropriation into a multi-year appropriation (MYA) and to transfer funding from the non-departmental capital Joint Venture Airport – Crown contribution appropriation to the newly established MYA for the years 2018/19 to 2022/23.

20. The Ministry will work with the Treasury to determine whether the current level of funding for the JV airports is adequate.

21. To mitigate the risk of an oversubscription happening again, the Ministry will work with the JV airports to have greater oversight of their future capital plans and operating losses to assist in the planning of the JV airport appropriation. The Ministry will also be reissuing expectations to the JV Airport's to ensure that all key documents, including audited financials, are produced in a timely fashion.

Consultation

22. The Treasury has been consulted and has agreed to the approaches set out in this paper.

Financial implications

23. The $0.700 million unappropriated capital expenditure will flow through to net debt for 2017/18 and will be met by imprest supply.

24. Other appropriations in Vote Transport are expected to not be fully utilised and will be returning to the centre, and this amount will be more than the $0.700 million.

25. The proposed changes to establish a multi-year appropriation and transfer funding from the Joint Venture Airport annual appropriation will be fiscally neutral.

Legislative, human rights and gender implications and disability perspective

26. Nil.

Regulatory Impact Analysis

27. There is no regulatory impact.

Publicity

28. No publicity is proposed for these matters.

Recommendations

29. I recommends that the Committee:

2017/18 unappropriated capital expenditure

1. **note** the Crown's obligation to fund 50 percent of all pre-approved capital works and operating losses at the Joint Venture Airports

2. **note** the current annual Joint Venture Airport appropriation of $0.500 million

3. **note** that $1.122 million worth of claims has been received from the Joint Venture Airport's in 2017/18 and that this is $0.622 million above the appropriation level, resulting in the request for approval of up to $0.700 million allowing for a contingency

4. **agree** to incur the $0.226 million in capital expenditure that was not pre-approved, noting that the Ministry of Transport will be setting expectations with all the Joint Venture Airports to ensure that this does not happen again

5. **agree** to incur up to an additional $0.700 million in capital expenditure in 2017/18 on the Joint Venture Airports, noting that this amount includes the $0.226 million of unapproved capital expenditure

6. **agree** that the additional capital expenditure of up to $0.700 million incurred in 2017/18 for the Non-Departmental Capital expenditure - Joint Venture Airports Crown Contribution appropriation be included in the Appropriation (2017/18 Confirmation and Validation) Bill for validation by Parliament and that, in the interim, the capital expenditure be met from Imprest Supply

7. **note** that the $0.700 million additional unappropriated capital expenditure will flow through to net debt in 2017/18

8. **note** that other appropriations in Vote Transport are expected to not be fully utilised and will be returning to the centre, and that this amount will be more than the $0.700 million outlined in this paper

9. **note** that the Ministry of Transport will report the unappropriated capital expenditure in its 2017/18 annual report

Establishment of a multi-year Joint Venture Airport appropriation

10. **note** that with known capital works, pre-approved capital works and anticipated losses the 2018/19 Joint Venture Airport expenditure is anticipated to be close to or exceeding appropriation levels and therefore, a multi-year appropriation is being sought

11. **note** the proposed changes to establish a multi-year appropriation and to transfer funding from the Joint Venture Airport annual appropriation will be fiscally neutral.

12. **agree** to establish the following new five-year multi-year appropriation:

Vote	**Appropriation Minister**	**Title**	**Type**	**Scope**
Vote Transport	Minister of Transport	Joint Venture Airports – Crown Contribution	Non-Departmental Capital Expenditure	This appropriation is limited to enhancements to joint venture airport terminals and runways and the Crown's share of operating losses.

13. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 11 above, with no impact on debt:

	$m – increase/(decrease)						
Vote Transport Minister of Transport	**2017/18**	**2018/19 to 2022/23**					**2023/24 & Out years**
Non-Departmental Capital Expenditure: Joint Venture Airports – Crown Contribution	-	2.500					-
Non-Departmental Capital Expenditure: Joint Venture Airports	-	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	-

14. **note** that the indicative funding profile for the new multi-year appropriation described in recommendation 11 above is as follows:

	$m – increase/(decrease)					
Indicative annual spending profile	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24 & out years**
	0.600	0.475	0.475	0.475	0.475	-

15. **agree** that the above proposed change to the Joint Venture Airports – Crown Contribution appropriation be included in the 2018/19 Supplementary Estimates and that, in the interim, the capital expenditure be met from Imprest Supply.

Hon Phil Twyford
Minister of Transport