

18 April 2023

RE: New Zealand Productivity Commission inquiry - Improving Economic Resilience

Thank you for the opportunity to have input into the Productivity Commission's work on improving New Zealand's economic resilience.

This letter is more general in nature than an industry sector's specific concerns regarding specific supply chain disruptions or trends that would reduce its operations and output. Instead, this letter will focus on the role that airports, and aviation more broadly, can play in improving the resiliency of other parts of the economy.

NZ Airports is the industry association for New Zealand's airports and related businesses. Its members¹ operate 46 airports across the country including the international gateways to New Zealand. This infrastructure network is essential to a well-functioning economy, and enables critical transport and freight links between each region of New Zealand and between New Zealand and the world.

Aviation is an effective means of rapidly transporting people and higher-value goods great distances and without dependence on linear land infrastructure such as road and rail-lines. However, this is at higher cost, and with a differing set of dependencies on different infrastructure such as airports and air navigation services. Aviation can also be dependent on weather conditions; however, this has also caused aviation to become highly resilient and flexible in its operations. The flexibility of both international and regional aviation adds a great deal of resilience to the overall task of transporting essential goods and people to where they are needed, and at greater speed than other means of transport.

This beneficial adding to other sectors' resilience reflects to a degree the greater complexity of modern equipment and services, which generally requires a greater range of parts and specialised knowledge to operate and maintain. I note that for those parts and expertise that can be flown, the supply pool is the rest of the world, i.e., not restricted to New Zealand's existing supply.

Globally, aviation is highly regulated for reasons of safety and interoperability across airports, aircraft types, regions, and borders. The interoperability and high levels of conformity enables aviation to quickly ramp up operations when required and provide a surge capacity. To express this another way, the potential supply of air transportation is truly global in scale, and not limited to New Zealand's domestic capacity.

All airports in New Zealand have greater capacity than their current levels of use, so airports can quickly support more flights and cargo if the freight and passenger demand exists. This greatly

¹ Our member airports: Ardmore Airport, Ashburton Airport, Auckland Airport, Bay of Islands Airport, Chatham Islands Airport, Christchurch Airport, Dunedin Airport, Gisborne Airport, Hamilton Airport, Hawkes Bay Airport, Hokitika Airport, Invercargill Airport, Kaikohe Airport, Kaitaia Airport, Kapiti Coast Airport, Marlborough Airport, Masterton Airport, Matamata Aerodrome, Motueka Airport, Nelson Airport, New Plymouth Airport, North Shore Airport, Oamaru Airport, Palmerston North Airport, Pauanui Airfield, Pukaki Airport, Queenstown Airport, Rangiora Airfield, Rotorua Airport, Takaka Airport, Taupo Airport, Tauranga Airport, Te Kowhai Airport, Thames Aerodrome, Timaru Airport, Wairoa Airport, Wanaka Airport, Wellington Airport, West Auckland Airport, Westport Airport, Whakatane Airport, Whanganui Airport, Whangarei Airport.

adds to aviation's role in increasing New Zealand resilience to supply shocks caused by transportation delays or halts.

The New Zealand aviation sector has two potential supply chain disruptions and/or trends that it is concerned about.

- 1) Onshore stockholding of current aviation fuel types.
- 2) Supply of Sustainable Aviation Fuels (SAF)

The aviation sector is highly concerned that New Zealand holds inadequate onshore stocks of aviation fuels to cope with anything larger than a minor and/or short-term disruption to supply. As a result, New Zealand's aviation sector is highly vulnerable to international shipping disruptions that delay or halt the supply of refined aviation fuels. The supply of aviation fuel is close to being a highly fragile 'just in time' situation.

Onshore fuel stockholding is a vulnerability that applies not just at the nation level, but it also has a regional aspect in that the fuels must be distributed to where they are to be used at regional airports. Vulnerability of all fuel supplies is not simply having the fuel within New Zealand, but it also has to be stored where users can access it to operate vehicles. NZ Airports, along with other elements of the aviation sector, has advocated to MBIE for a higher level of onshore stockholdings.

NZ Airports is also concerned that the future supply of Sustainable Aviation Fuels (SAF) will be inadequate for New Zealand's needs to fuel international flights. SAF is currently the only realistic prospect to decarbonise the long distance flights that New Zealand is dependent on for economic activity and connection to the globe. New Zealand is probably the developed nation most dependent on international aviation.

At present there is a worldwide shortage of SAF as current supply is nowhere near capable of meeting the demand from international aviation for fuels that lower carbon emissions. Carbon emissions from non-SAF international flights could easily become a non-tariff trade barrier, and nations may begin policies of reserving their domestic SAF production for their own airlines. Without an adequate supply of SAF for New Zealand's use in fuelling outbound flights, those flights would become increasingly constrained by costs, either through very high SAF prices (if available on a global market), or through carbon tariffs or needing to purchase offsets.

NZ Airports is a founder member of Sustainable Aviation Aotearoa, a public-private initiative of government and the aviation sector to decarbonise aviation. A key focus of that group is to develop an adequate supply of SAF for New Zealand's use.

Yours sincerely,



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