

## International Airfreight Capacity (IAFC) Scheme

### How the scheme works

Under the terms of the IAFC scheme, airlines and air cargo carriers were invited to submit proposals to provide air services on key routes according to agreed criteria.

For appointed carriers, funding is provided to guarantee air services on key routes. Airlines then offer that capacity directly to freight customers on commercial terms.

### Proposed routes for Phase 2 of the IAFC from 1 April to 30 April 2021

This is an indicative schedule and may change in response to demand or operational constraints. For the most up to date information, contact the relevant carrier.

Airline	Route	Frequency
Air New Zealand	AKL -LAX- AKL	7
	AKL -SFO- AKL	4
	AKL -HKG- AKL	2
	AKL -PVG (Shanghai)- AKL	2
	AKL - NRT (Tokyo) - AKL	4
	AKL -ICN (Seoul)- AKL	1
	AKL -SYD- AKL	7
	AKL -MEL- AKL	7
	AKL -BNE- AKL	4
	AKL - PER- AKL	2
	AKL - Pacific (Niue, Rarotonga, Fiji, Samoa, Tonga)- AKL	5
	AKL-CHC -LAX- AKL	3
	AKL-CHC -CAN (Guangzhou)- AKL	2
	AKL-CHC -PVG (Shanghai)- AKL	1
	AKL-CHC-HKG-AKL	1
AKL-CHC-MEL	2	
Cathay Pacific	AKL-HKG-AKL	2
China Airlines	AKL-TPE (Taipei)-AKL	4
China Southern	AKL-CAN-AKL	1
Malaysia Airlines	AKL-KUL-AKL	2

## Scheme criteria and routes

### Objectives

The primary and secondary objectives of the scheme form the basis for the assessment, namely:

Primary objectives: ensuring imports that are important for health, business operations, and other critical tasks continue to be brought to New Zealand, and maintaining air connectivity with key trading partners ensuring our exports that travel by air still make it to those markets.

Secondary objectives: to maintain air connectivity for passengers and future tourism capacity, international relations, and the competitiveness and sustainability of the aviation sector.

We have to be satisfied that, without Government support, the airfreight capacity would not otherwise be provided.

### Deciding routes

Responses to the Request for Proposals were required to provide evidence of need and demonstrate there was demand for the route proposed. We are leading the IAFC scheme, and work closely with MBIE, MPI, NZTE, MFAT and Customs to understand the demand on different routes. These Government agencies regularly engage with the private sector to better understand its needs. The scheme is flexible enough to vary the available capacity on different routes to respond to changing demand.

### IAFC funding

Each agreement is different, and is tailored to the carrier's proposal, route and freight capacity. Within the terms of the funding agreements, flights that break-even on their own are not eligible for support.

### How the added capacity compares with current and pre-COVID-19 levels

Inevitably, the total number of flights will be less than pre-COVID, when most flights were carrying passengers. The schedule of flights supported by the IAFC has varied over the life of the scheme in response to demand.

Since it was established in April, the International Airfreight Capacity scheme has enabled over 3,700 flights in and out of New Zealand carrying 70,000 tonnes of cargo.

### Returning to pre-COVID airfreight rates

The scheme does not return us to pre-COVID airfreight rates. Market rates for airfreight have increased and are likely to stay above pre-COVID rates in the medium term. This is because before the global pandemic, passengers provided the core part of the revenue stream for most air services to New Zealand.

The Government is stepping in temporarily to enable some air services. The scheme uses a robust market-led approach, requires importers and exporters to pay for their freight on a commercial basis, and aims to help the sector recover as quickly as possible.

### Why the Government doesn't just fund Air New Zealand despite spare capacity

Our national carrier doesn't fly to and from all destinations, and the use of passenger aircraft for freight presents some limitations as well as some advantages. The other providers give us more destinations, flexibility and capacity, and provides for choice and some competition for customers.

## Target number of flights

There isn't a target number of flights. We are carefully monitoring the overall airfreight market – this scheme is only part of a broader air freight market. Depending on market conditions, we are able to ramp up, wind down or adapt the scheme, this is particularly important heading into the peak season. We do not intend to supply all of the capacity demanded by the market. The more freight that is moved, the more market confidence will be restored, which will drive both increased capacity and increasingly competitive freight rates.

## Repatriation of New Zealanders overseas

Over 60,000 passengers arrived in New Zealand on air services supported under the previous IAFC scheme. It is expected that the new scheme will provide a means for New Zealanders to return home.

## How long does the scheme run

The scheme has been extended to the end of April 2021. A new scheme, the Maintaining International Air Connectivity scheme has been established to support air services beyond April. This will initially be delivered through an extension of the support currently being provided to airlines, and in due course, new support arrangements will be put in place following an open and competitive RFP.

## Monitoring the effectiveness of flights and the IAFC scheme

The appointed airlines/carriers are required to regularly report on their operations and will be monitored by us.

We have a monitoring programme which focuses on the positive (and potential negative) effects of the scheme on the airfreight market, and we are able to adjust the scheme accordingly. Our intention is to exit the scheme once the international airfreight market stabilises.

## New Zealand's international trade obligations and our policy to oppose subsidies

The COVID-19 pandemic is an extra-ordinary set of circumstances. As a geographically isolated island nation, New Zealand has been severely impacted by the sharp drop in air connectivity.

The scheme is a temporary, time-bound measure to maintain air services that are essential for New Zealand's connectivity, and aims to help the sector recover as quickly as possible.

A number of other governments are, like New Zealand, stepping in temporarily to help maintain some air services.