CIVIL AVIATION AUTHORITY OF NEW ZEALAND
Te Mana Rererangi Tūmatanui o Aotearoa

Security Levy Reduction Consultation

30 September 2026

Purpose

1. This consultation document sets out a proposal by the Civil Aviation Authority ("CAA") to reduce the international and domestic passenger security levies by 5%.

Scope

2. The proposals in this consultation document relate to the international and domestic passenger security levies only. It is a proposal on a pricing adjustment (reduction), not the structure of security levies.

3. This consultation does not impact any other safety or security fees, charges or levies which are subject to a separate and on-going first principles funding review. Passenger security levies provide more than 98% of CAA's revenue for security services.

Context

CAA has improved our cost-base, efficiency, and financial position

4. As part of our strategic re-set, CAA has focused on how we deliver effective safety and security services in the most cost-effective manner.

5. Over the last 12-18 months we have made improvements to our aviation security screening services resulting from investments in our technology, systems and operations. Over that period CAA:

    - has significantly improved and maintained aviation security service levels, particularly meeting performance targets for managing passenger queue times. 97% of passengers were screened in less than 10 minutes for the most recently completed year;

    - is delivering security services under budget and within available funding; and

    - has improved financial management to the extent that CAA has replenished operating reserves to an appropriate level within our security financial accounts. We are projecting growing surpluses over the next six years based on the current levy rates and projected levels of expenditure.

6. Demand for our security services has been above that forecast in the last review of fees, levies and charges in 2024. While passenger volumes and associated levy revenue are projected to be above previous expectations, CAA's costs related to the provision of security services are forecast to increase at a slower rate.

Why propose a levy reduction now?

7. CAA closely monitors its revenue and expenditure. Over the last year:

    - Revenue projections are strongly influenced by passenger volumes. The conflict in the Middle East (and the associated impact on fuel supply and price) has created uncertainty and volatility when forecasting passenger volumes; and

    - Cost projections are impacted by operational efficiency, the impacts of investment in new technology (which result in new cost baselines), as well as provisioning for the necessary investment in our business transformation programme (which has now commenced).

8. CAA's revenue projections are derived from forecasts from the government's Border Executive Board (BEB). The BEB's August 2026 updated projections give CAA greater confidence in forecasting revenue through FY27 and into outyears.

9. CAA's cost projections are based on a full year of operations of the Aviation Security Service in 2025-26 which has informed this financial year's budget allocation; allowance for future investment in technology; and other inflationary costs.

10. For these reasons, it is proposed that the international and domestic passenger security levies are reduced by 5% and this reduction is implemented in early calendar year 2027 (depending on the timing of the final outcomes of the consultation).

Basis of levy reduction

11. CAA is confident that it can now manage a levy reduction of 5%. This is supported by:

    - **Replenished financial reserves:** The CAA has rebuilt financial reserves to appropriate levels ($45.601m as at 30 June 2026). Even after a 5% reduction, CAA would retain a margin to ensure sustainability of activities and to enable the funding of any unplanned activities, cost pressures or fiscal shocks.

    - **Favourable revenue collection:** International passenger volumes are currently 3% higher than the assumptions used in the most recent pricing review, supporting favourable revenue receipts and the latest revenue forecasts.

    - **Cost savings and efficiencies:** The implementation of new technologies and operational changes is expected to reduce costs by approximately $26 million in FY27 alone. These include remote image screening, lane matrix screening, changes to duties from CTiX lanes, and reduced loading requirements per screening lane.

12. A summary of forecast financial projections is set out at **Appendix A**.

13. Further changes may be possible in outyears but those will be considered as part of the first principles funding and fee review and factor in the outcomes of the Business Transformation programme. Public consultation on that broader funding and fee review is expected mid-2027.

Impact of a passenger security levy reduction

14. Based on the current projected passenger volumes, CAA estimates this reduction will save passengers an accumulated $70.935m by FY32.

15. The following table sets out the impact of the proposed levy reduction on individual passengers per flight (excluding GST).

Passenger security levy type	Current levy per passenger	Proposed levy (5% reduction) per passenger
Domestic	$10.91	$10.36 (-$0.55)
International	$22.30	$21.19 (-$1.11)

16. CAA has assumed, as part of its financial planning and forecasting, that any levy reduction will take effect in the first half of 2027. The actual implementation date will differ from this and be subject to completion of this consultation and review process.

17. Given the proposal is a reduction in an existing levy, based on previous consultation and industry engagement we anticipate positive outcomes for the vast majority of sector participants. Therefore, consultation is progressing at pace to unlock benefits and is focussed on the more significantly impacted industry participants.

18. Following the proposed levy reductions, the CAA is confident that service expectations and targets will still be met, including those performance targets agreed and outlined in our latest Statement of Performance Expectations, and the services referenced in the previous Review of CAA fees, levies, and charges 2024.

Consultation

Why consult on the reduction?

19. The CAA is seeking stakeholder feedback on the potential impacts of a reduction in passenger security levies. Consultation is important to ensure that the CAA understands the potential impacts of each option on levy payers and the wider aviation sector before making a recommendation to the Minister of Transport. In particular, stakeholder feedback will help inform the CAA's assessment of whether the proposed reduction is appropriate and whether there are any unintended impacts or other considerations that should be taken into account.

20. The two options for consideration are:

    - **Option one:** no change to the current passenger security levies; or

- **Option two:** a 5% reduction in passenger security levies.

21. **Section 418** of the Civil Aviation Act enables the Minister to progress changes to levies, but only if:

    - CAA has made a request; and
    - The Minister is satisfied that CAA has consulted with persons, representative groups and government agencies "as the Minister considers appropriate."

22. CAA sought direction from the Associate Minister of Transport, Hon James Meager, on what he considers an appropriate consultation in the circumstances. The Minister has approved a consultation approach in which:

    - The CAA targets consultation with Air New Zealand, Jetstar, BARNZ and the Airports Association.
    - Consultation commences on 30 September 2026 and closes on 14 October 2026.
    - CAA put information about the consultation on its website for general public awareness (not for feedback on the proposed reduction).

After the consultation

23. Following the consultation CAA will:

    - analyse the feedback received and consider the views, issues and other matters raised by submitters; and
    - engage with the Associate Minister of Transport on the consultation findings and the options available.

24. The preferred proposal will be progressed through the Government approval process, including Cabinet approval where required.

25. Subject to Government approval, any changes to the current pricing regime would likely take effect from the first half of 2027.

Consultation timeline

26. The indicative timeline for consultation and implementation is set out at **Appendix B.**

Providing feedback

27. An email will be provided to the Chief Executives of the agencies who have been invited to provide feedback on the two options.

28. Those agencies can provide feedback via email at levyconsultation@caa.govt.nz

29. The CAA is keen to understand which option you support and why? And any other matters which should be considered by CAA (including implementation timing) before reaching an outcome.

30. Feedback is due by **12:00pm on Wednesday 14 October 2026**.

31. In general, you should assume that any feedback submitted is public information and can be requested under the Official Information Act 1982 (OIA). However, if you wish to share commercial in-confidence information to help us understand the impact, in some cases this can be withheld from public release. You should engage with us before sharing that to determine whether information would fall into that category.

Appendix A - Financial forecasts and assumptions

Summarised below are CAA's budgeted revenue and expenditure for FY2027, and forecast revenue and expenditure for FY2028 to FY2032 under two options.

Revenue forecasts are based on the latest Border Executive Board (BEB) projections and reflect expected moderate growth in passenger volumes over the forecast period.

Option one: no change in the current passenger security levies

$000	FY26 Actual	FY27 Budget	FY28 Forecast	FY29 Forecast	FY30 Forecast	FY31 Forecast	FY32 Forecast
Revenue	238,620	246,636	252,197	259,800	264,961	270,193	274,184
Expenditure	193,019	209,661	238,378	244,489	251,542	251,828	253,829
Impact on reserves increase/(decrease)		**36,975**	**13,819**	**15,311**	**13,420**	**18,365**	**20,355**

Expenditure forecasts reflect planned activities and equipment replacement, including the CAA's Business Transformation programme which started FY27, and allow for CPI adjustments.

Option two: a 5% reduction in passenger security levies

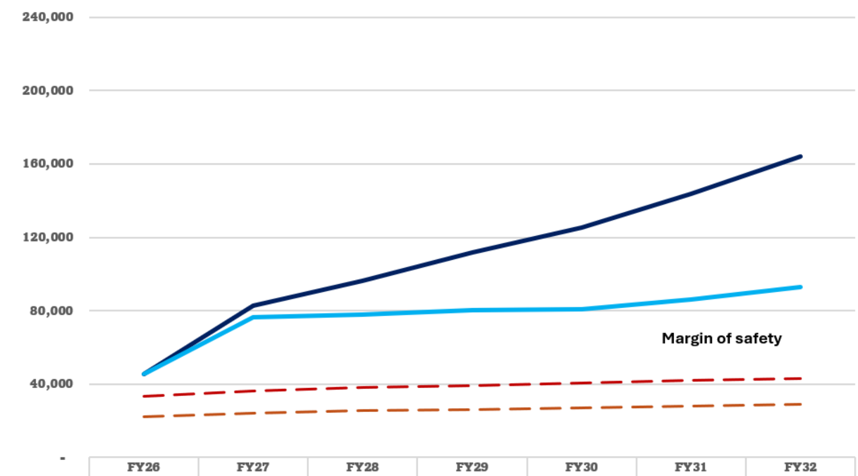
$000	FY26 Actual	FY27 Budget	FY28 Forecast	FY29 Forecast	FY30 Forecast	FY31 Forecast	FY32 Forecast
Revenue	238,620	240,558	239,764	246,986	251,955	256,990	260,782
Expenditure	193,019	209,661	238,378	244,489	251,542	251,828	253,829
Impact on reserves increase/(decrease)		**30,897**	**1,386**	**2,497**	**413**	**5,163**	**6,953**

Even after a 5% reduction in passenger security levies, forecast expenditure remains within expected available funding throughout the forecast period.

Forecast financial reserves (option one versus option two)

Based on current revenue and expenditure projections, CAA is confident it can manage a 5% reduction in the international and domestic passenger security levies, equating to a cumulative $70.935 million by FY32. Following this reduction, CAA would still retain a cumulative margin of safety of $49.710 million by FY2032, providing capacity to absorb unplanned events, fiscal shocks, changes in forecast assumptions and other fiscal pressures. It is the CAA's view that financial sustainability would not be at risk.

If the security levies were left unchanged, security levy reserves are forecast to be $120.646 million above the level required for operations and liquidity purposes by FY32.



	FY26 Actual	FY27 Forecast	FY28 Forecast	FY29 Forecast	FY30 Forecast	FY31 Forecast	FY32 Forecast
Reserves (current)	45,601	82,576	96,395	111,706	125,126	143,491	163,846
Reserves (assuming 5% pax levy ↓)	45,601	76,498	77,884	80,381	80,795	85,957	92,910
Reserves min	22,300	24,100	25,600	26,200	27,100	28,000	28,800
Reserves max	33,400	36,100	38,400	39,200	40,700	42,100	43,200

The remaining margin of safety is considered appropriate given the inherent uncertainty in longer-term forecasts, including potential changes in passenger volumes, unplanned expenditure requirements and other fiscal pressures.

The CAA is also progressing a Business Transformation programme that is expected to deliver significant benefits for both the sector and the CAA. However, the programme will also change the CAA's medium-term cost base, and the extent and timing of these costs remain uncertain.

The appropriate level of financial reserves will be further considered as part of the CAA's current first-principles funding review.

Appendix B - Indicative timeline

30 September 2026	CAA consultation commences with directly and materially affected parties.
14 October 2026	CAA consultation (feedback) closes.
From 15 October 2026	CAA analyses all feedback and consider the views, issues and other matters raised by submitters.
Mid-late October 2026	CAA makes post-consultation recommendation to the Associate Minister of Transport with summary of consultation feedback.
Mid-late October 2026	Ministry of Cities, Regions, Environment and Transport (MCERT) briefing to the Associate Minister of Transport providing advice on the CAA's recommendation.
November 2026	MCERT prepares a Cabinet paper seeking policy approval to amend the levies. The Authority prepares a Cost Recovery Analysis Summary to accompany this Cabinet paper
November/December 2026	Ministerial consultation.
December 2026	Cabinet consideration of paper.
December – January/February 2026	Drafting of regulations.
January 2027	MCERT prepares draft Cabinet Legislation Committee (LEG) paper as well as a Consistency Accountability Statement with a Statement of Underpinning Analysis.
January/February 2027	MCERT seeks the Associate Minister of Transport's approval to begin departmental consultation on a draft LEG paper.
February 2027	Ministerial consultation.

February 2027	LEG consideration of Cabinet paper.
Late February/early March 2027	Executive Council (Governor-General signs Order In Council).
Late February/early March 2027	Gazettal of regulations by Parliamentary Counsel Office.

Civil Aviation Authority of New Zealand

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