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Air New Zealand has not asked to stop regional routes or get subsidies, minister says, but is it too powerful?

**John Weekes**

Senior Business Reporter · NZ Herald · 7 Sep, 2026 04:13 PM · 6 mins to read

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James Meager says Air New Zealand has not approached him or anyone in Government he knew of asking if it could stop operating certain regional routes.

The Associate Minister of Transport, who is responsible for aviation, addressed an aviation industry summit today.

Afterwards, he told the *Herald* about the challenges the industry faced and discussed whether Air NZ was too dominant in the sector.

The airline has cut back service frequencies on many routes since the Iran-Israel-US war this year sent jet fuel prices up.

"Every time I've engaged with them on the [scheduling changes](#) and the challenges they've had with the ongoing fuel crisis, they've been at pains to reassure me that these are the changes they're making on a temporary basis to try and get through this current crisis," Meager said.

The airline [lost \\$242 million after tax in the last financial year](#).

A loss of similar magnitude had already been forecast, with high jet fuel prices the newcomer in a series of problems including aviation system costs, unusually high maintenance costs, and some jet engine shortages.

Many of the most expensive problems Air NZ faced were being resolved, but jet fuel is still very expensive.

"I think they feel confident that they've turned the corner, that their engine issues are past them, that the planes that they had grounded are no longer grounded, that there's some stuff in our rules update programme that will benefit them in terms of those changes to maintenance," Meager said.

Meager has told the Civil Aviation Authority (CAA) to carry out extensive reforms to a variety of aviation rules.

He has referred to the reforms as akin to 20 years of change in two years.

A [tax break worth an estimated \\$4.2m](#) a year was announced in this year's Budget. It is a permanent automatic exemption from non-resident contractors' tax for dry leasing of aircraft parts.

Too dominant?

Despite its challenges, Air NZ is hugely dominant in New Zealand aviation, with about 80-85% domestic market share. With such power, can it be relied on to care what others in the sector think, and should there be more competition?

"The routes that Jetstar fly on clearly are good, competitive profitable routes," Meager said at the Aviation Industry Association (AIANZ) conference in Wellington.

"Having Jetstar in the sector and in the industry is actually good for Air New Zealand because it keeps their focus on making sure that they are at all times the premium product, and that they know they can't rest on their laurels just because they're the national carrier."

Competition might be viable on the big Auckland-Wellington-Christchurch trunk routes, but elsewhere less so.

"It'd be great to be able to see that in the regional space. I just think the reality is we don't have a market big enough for that."

Meager indicated the expanded [Air Chathams-Air NZ interlining deal](#) was a good demonstration of airlines staying competitive while working together.

He said such an agreement could mean a change to the old hub-and-spoke model, where a provincial centre now became a hub for regional flights.

“Interlining may be one of the solutions for some of the routes that are very difficult to operate, particularly if it’s a small route where you can fill a 34-seat plane quite easily, but you’d struggle to fill a 50-seat plane.”

Meager said Air New Zealand had not asked for subsidies for its regional routes, even though in its latest annual report it indicated many of those routes were not profitable.

The airline said in its annual report late last month that “developing a financially sustainable regional network” was a major priority.

It also said it had to “build a path to profitability” for its regional network.

“They’ve been very clear that they know what they need to do to get through the fuel issues and the engine issues and to make sure they still deliver a quality product for New Zealanders, keep their airfares down,” Meager said.

“Everyone’s got concerns about costs across the board. It’s fuel, it’s labour, it’s regulatory, it’s fees. We are doing our best to control the things that we can control.”

Meager today said the Government and the industry had made progress on numerous goals set in the [Aviation Action Plan](#) a year ago.

He said that included securing vulnerable regional routes by supporting small airlines with concessionary loans and providing investment for interlining arrangements.

The CAA had faced scrutiny for its workplace culture and its attitude towards the rest of the sector.

Its [new chief executive Kane Patena](#) recently told the *Herald* he was happy with progress made over the past year – and Meager today broadly endorsed Patena.

Meager said it was fair to credit the CAA when improvements had been made.

In a speech to the AIANZ conference, Meager said a more efficient CAA could allow the regulator to stabilise or even reduce its fees.

These fees contributed to the aviation system costs which airlines had to pay.

Air NZ has described rising aviation system costs as a major drag on its profitability and said those costs have increased faster than inflation.

“I’m quite confident that with the performance of the CAA over the past 12 months that we’ll be able to get there,” Meager added.

The minister told the *Herald* he did not hear anywhere near as much negativity about the CAA as previous ministers likely did.

Luxon comments

Last week, [former Air NZ chief executive Rob Fyfe](#) said Prime Minister Christopher Luxon’s rebuke of the airline was inappropriate.

Luxon, another former Air NZ chief executive, [was scathing after the airline posted its \\$242m after-tax loss](#).

Luxon did, however, praise current Air NZ chief executive Nikhil Ravishankar, who took over last October.

“They reflect the views of someone who knows a lot about the sector, who has direct experience working in that sector, and he’s got a lot of ambition for Air New Zealand,” Meager said of Luxon’s comments.

“He loves that company. He loved working for that company. He wants them to be the best airline in the world and he was expressing his views that they can be the best airline in the world, and I know he’s got really good relationships with Nikhil and the team.”

Meager said Luxon was expressing “a sense of frustration with how tough it has been” for the airline.

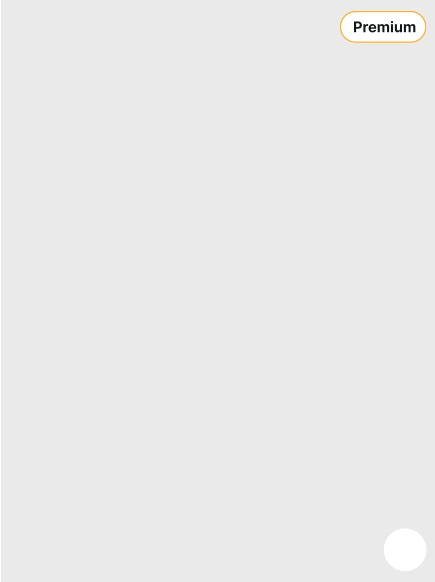
He added: “In his view, there is a real opportunity for them to be a great operator.”

John Weekes is a business journalist covering aviation. He also has experience covering consumer affairs, crime, politics and courts.

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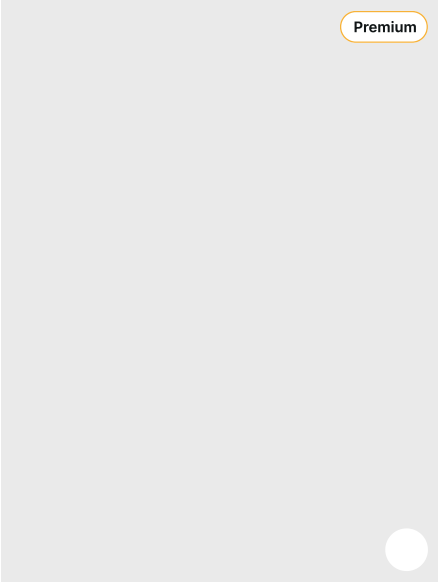
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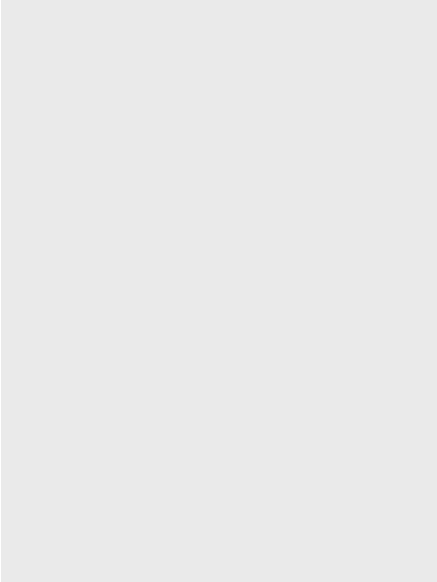
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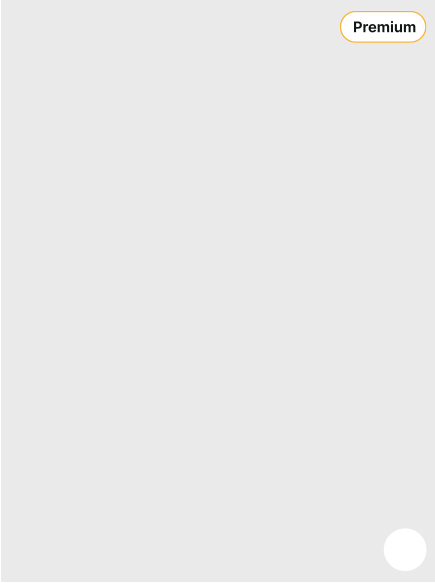


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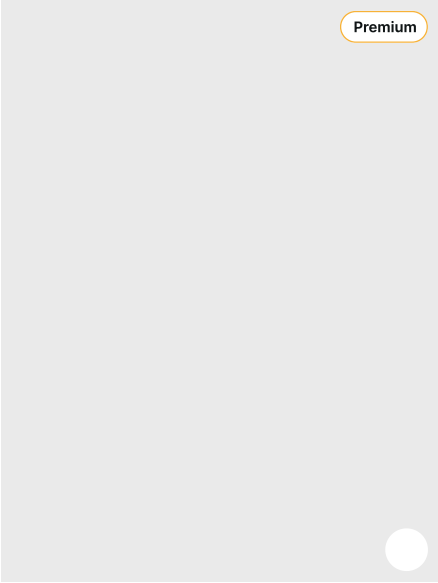
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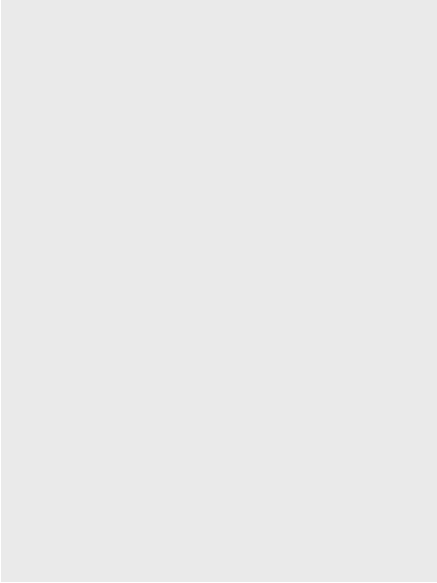
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