

Air New Zealand Limited is a brand that is well known in New Zealand and is New Zealand's national airline. Air New Zealand has been servicing New Zealand for over 75 years. With over \$5 billion in revenue each year, it is a large company in New Zealand.

Air NZ has made it known that their goal is to be the 'world's most environmentally sustainable airline'. This means that the financial and non-financial decisions that Air NZ makes will be influenced by the company's commitment to be as environmentally sustainable as possible. Apart from the environmental benefit of Air NZ operating in a sustainable manner, the company's reputation will improve which is likely to lead to an increase in sales and an increase in profits. ①

The fuel that Air NZ uses represents a large proportion of its annual expenses. In the year ended 30 June 2016 the company spent \$846m on fuel which was 23% of total expenses. Therefore, making decisions about which aviation fuel to use has a large impact on the business and ultimately profit. ② Apart from achieving its goal of environmental sustainability, it is a financial advantage for the company to reduce its fuel expense by being more fuel-efficient.

When deciding on what fuel to use, Air NZ have clearly been impacted by environmental sustainability as they were involved in the first ever test flight of a flight using biofuel in 2008. Then in March 2016 they announced that they have decided to 'investigate whether environmentally-friendly aviation biofuel can be produced locally to put in their planes' fuel tanks.' *stuff.co.nz, March 14 2016* 'Air New Zealand is one of the biggest fuel users in the country.' *www.nzherald.co.nz/business/news/article.cfm?c\_id=3&objectid=11723018* Fuel makes up 99% of Air NZ's carbon emissions so the decisions about what fuel to use are a large part of Air NZ's goal of being environmentally sustainable. ③

Environmental sustainability also influences Air NZ's decisions about which routes to fly. Air NZ was the 'first carrier in the world to gain regulatory permission to use routes that deviate as much as 240 minutes from a suitable airport to find shorter and more fuel-efficient flight tracks and flew the first flight of this type in December last year between LA and Auckland.' *http://idealog.co.nz/venture/2012/05/air-nz-takes-home-eecas-top-gong* Environmental sustainability significantly impacted decisions about routes and arrival and departure times. ③

There are also other considerations such as tourism. For example, tourists could be attracted to New Zealand through the knowledge that if they fly Air NZ their travel time could be reduced. Some travellers will also want to support an airline that can be seen to be environmentally-friendly. This could account for the increase in passenger revenue between 2015 and 2016 (from \$4113m to \$4881m). ③

Using more fuel-efficient routes led to a significant reduction in fuel expenses for Air NZ, from \$1089m in the 2015 year to \$846m in the 2016 year. ②

Air NZ has a large investment in its fleet. Property, plant and equipment for the year ended 30 June 2016 is over \$4 billion which makes up 62% of total assets. This is a significant investment. Therefore, purchasing decisions about replacing aircraft have a very strategic and long-term impact. Environmental sustainability has impacted on these decisions. In 2014 Air NZ was the first airline to take delivery of the revolutionary 787-9 Dreamliner. This aircraft is 20% more fuel-efficient than previous aircraft. Air NZ continued to purchase these aircraft and now have six in their fleet. In the past five years, they have invested \$2.1 billion in new aircraft to ensure they are as fuel-efficient as they can be. 2

In addition to their fuel, planes and routes, Air NZ is also working on reducing the environmental impact of waste. When they decide what products to buy for their inflight service, they take into consideration the environmental impact. Can we recycle these products? Can we reuse them if they are unopened? These factors are a huge part of their decisions about what to provide for inflight food and beverages. In addition to their food and beverages, they have also considered environmental sustainability when it comes to their uniforms for staff. They now donate their used unbranded uniform items instead of just discarding them. If they can't be donated then they are shredded to be converted into carpet underlay. <https://www.airnewzealand.co.nz/carbon> 3

Air NZ uses many local and international suppliers. The company frequently makes decisions about new suppliers for all sorts of products and services. In 2015, Air NZ launched their new Supplier Code of Conduct. This requires their suppliers to have best practice behaviours in terms of sustainability. The company's sustainability goal influences decisions around which suppliers Air NZ chooses to use, to the point where they have guidelines for suppliers on this. When Air NZ is looking for a new supplier, they consider not only the price they can purchase the product or service for, but they consider whether the supplier meets Air NZ's Supplier Code of Conduct. Sometimes the company will choose a supplier who is slightly more expensive than its competitors but the extra cost is justified as the supply relationship will contribute to Air NZ's sustainability goal. 3 2

In conclusion, it is very clear that environmental sustainability has a significant impact on the decisions that Air NZ have made in past years and it will continue to have a big influence on their decision-making as they continue to strive to be the world's most sustainable airline. This will have financial benefits in that their airline will be known as a sustainable airline and that should increase their sales of flights as it is important to many people today to use businesses that are environmentally sustainable. Air NZ will continue to be a world leader in ensuring that they use the most fuel-efficient planes and routes. 4