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Media Release: New Zealand passengers are losing out to monopoly airports

Auckland International Airport has set prices that are not in the long-term interest of consumers, and more must be done to protect airport users from the market power exerted by monopoly airports, according to a submission by Airlines for Australia & New Zealand (A4ANZ).

In its submission to the Commerce Commission's Review of Auckland International Airport's pricing decisions and expected performance (July 2017 – June 2022), A4ANZ discussed the expected profitability, investment efficiency, and pricing efficiency of Auckland Airport.

A4ANZ Chairman, Professor Graeme Samuel AC, said "When we look at the evidence, A4ANZ has been left in no doubt that Auckland International Airport is targeting excessive profits. Historically, this has been demonstrable by observing returns to shareholders over the past 19 years. It has been estimated that the value of excess returns to Auckland airport owners may be upwards of $3.6 billion (in 2017 dollars)."

A4ANZ's submission references independent analysis from Frontier Economics, which confirms that earnings at New Zealand airports are excessive, with profit margins significantly higher – in some cases more than double – those of other airports around the world operating in competitive markets or with greater regulation. This was shown in a report released by A4ANZ last week.

A4ANZ's CEO, Dr Alison Roberts said "There's a reason financial analysts regard Auckland airport so positively. The Airports Association claim that the airport's profit is "fair and reasonable" sits in stark contrast to the facts: Auckland Airport has the second highest margin of all analysed international airports – second only to Sydney Airport, which is also under a light-handed monitoring regime."

Professor Samuel said that "Based on both historic financial performance, and the recent decision of Auckland Airport to target returns above the Commerce Commission's mid-point WACC estimate, A4ANZ does not believe that Auckland Airport is appropriately constrained in its ability to extract excessive profits over the 2017 – 2022 pricing period."

A4ANZ's submission also outlined airline concerns regarding Auckland Airport's proposed Runway Land Charge and forecast operating expenditure and efficient investment, and encouraged the Commerce Commission to take a broader view of section 53B(2) requirements to consider quality, efficiency and innovation.

"The Commerce Commission's draft report reinforces my long-held view that monopolies need to be held to account by a credible threat of regulatory intervention. New Zealand needs a regulatory framework that drives airport-airline negotiations to produce better outcomes for consumers, through improved efficiency in the allocation of resources and targeted investment," Professor Samuel said.

Dr Roberts added "A4ANZ believes that a vibrant aviation sector will drive efficiency and innovation, which in turn is good for both consumers and the economy. In order to comprehensively address the issue of airport monopolies and market power, a multi-faceted approach involving genuine industry engagement and consultation will be required, to ensure that both the community needs of New Zealand and those of the broader economy are met, through sensible policy, and a regulatory environment that encourages innovation and efficiency."

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