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Sent: Tuesday, 13 May 2025 5:01 pm
To: Catherine Montague
Cc: Craig Emeny; Laura Davidson; Competition Policy; Craig Emeny
Subject: [URL SCANNING ERROR]RE: MBIE Review into Airport Regulatory Settings

Kia Ora Catherine

Air Chathams appreciates the opportunity to provide input on the effectiveness of economic regulation of airport services under Part 4 of the Commerce Act 1986. We support the views expressed by other major airlines feeding into this process and offer additional comments reflecting our own experiences as a small regional airline operator.

Oversight during Major Capital Investment

Air Chathams believes the current regulatory regime does not provide sufficient oversight during major capital investment programs by airports. Regional airlines frequently find themselves burdened with costs for infrastructure and services neither requested nor required. For example, at smaller airports such as Kapiti and Whanganui, Air Chathams has been charged for infrastructure, such as taxiways or Flight Information Services (FIS), even when these are not essential for our operations.

Airports, as monopoly service providers, define their own scope of services and associated costs without meaningful negotiation or scrutiny. This results in regional airlines bearing disproportionate costs that impact fare affordability, passenger growth, and route sustainability. Often at major airports the smaller carriers do not meet the 20% market share requirement that mandates consultation inclusion, and therefore rely on membership with the likes of BARNZ to ensure we are aware of these consultations and can feed in. Many cannot afford that membership and therefore have no say whatsoever but ultimately pick up the burden of cost.

Therefore, Air Chathams strongly supports the introduction of independent oversight mechanisms for major airport capital expenditures, ensuring infrastructure investments are justified, targeted, and efficient, directly aligning with the actual needs of airlines and their passengers.

Flexibility and Targeted Response in Regulatory Approach

Air Chathams considers the current regulatory framework insufficiently flexible to address diverse and evolving needs across different airports. Smaller regional airports should not necessarily adopt the same regulatory approach as major airports, as their market dynamics and infrastructural needs differ significantly.

The introduction of a 'hybrid till' regulatory model could allow for a more equitable and targeted approach, balancing commercial interests of airports with affordability and efficiency for airline users and passengers. We support the OECD's suggestion to explore this alternative approach, especially considering the varying scales and functions of airports across New Zealand.

Recommendations

Air Chathams aligns with the reform proposals with emphasis placed on the following:

- Adoption of a hybrid till model.
- Independent oversight of significant capital investment.
- Clear regulatory triggers enabling timely and specific intervention.
- Introduction of a binding dispute resolution mechanism to ensure fair, transparent outcomes.

Additionally, we suggest that the review explicitly considers what constitutes essential airport services for airlines, rather than allowing airports alone to define these services. This approach would ensure infrastructure development and charges genuinely reflect the needs of airline operations, improving cost efficiency and supporting regional connectivity.

Thank you for considering our views. We welcome further dialogue to develop an airport regulatory framework that promotes efficiency, transparency, and fairness in New Zealand's aviation infrastructure.

Kind regards

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