Auckland Airport

23 May 2025

Catherine Montague
MBIE Competition Policy Team

Dear Catherine

Please find attached Auckland Airport's submission to MBIE's April 11 email titled: *Seeking views on the effectiveness of the economic regulation of airport services under Part 4 of the Commerce Act 1986*.

We have appreciated your team's willingness to engage in discussions in the lead up to this submission.

Auckland Airport remains very concerned with the basis for this process and the impact it has had on the stability of the regulatory regime at a time when Auckland Airport is making a significant investment in the resiliency of New Zealand's gateway airport, delivering essential safety upgrades and adding new capacity to enable domestic aviation to grow.

Auckland Airport and our investors, find it difficult to understand why 11 days after the Commerce Commission issued a highly favourable report regarding Auckland Airport's pricing and capital investment plans, MBIE launched an ad hoc review of airport regulation. This is against a backdrop of 11 reviews of varying types of regulated airports over the last 12 years.

This latest review by the independent regulator was a big test of the regime. It found Auckland Airport's capital investment is reasonable, benchmarks well internationally, has been rigorously consulted on, and crucially, is consistent with what would reasonably occur in a competitive market.

The vested interests of incumbent airlines should not be given more weight than those of the independent regulator

Our key concern is this review seems to be driven by submissions from airlines, and from selected conclusions in a high-level report from the OECD, that was produced without engagement with the airport sector here in New Zealand. Airlines are acting in their own self-interest, lobbying for more power to hold up airport investment. Airlines have a strong incentive to oppose investment that will add much needed airport capacity that can enable competition threatens their market share.

To instigate this process airlines have repeated claims the Commerce Commission considered at length and ultimately rejected.

The process has caused investors to question New Zealand as an investment destination and changes would have a detrimental impact on airport investment decisions

The Government is actively seeking private sector capital into New Zealand to help address our multi-billion-dollar infrastructure deficit.

In 2024, Auckland Airport raised $2.5 billion in capital to fund the infrastructure build. We are spending around $100m in capital per month in FY25 and more than 1,000 people are currently working on our build – a number set to rise to ~2,500 at peak. Auckland Airport can only raise that capital because investors believe we have stable regulatory settings.

Unjustified, ad hoc and untested changes to regulatory settings for airports that are currently investing will have a chilling effect on future investment in the sector, and cause airports to choose to not invest even when it is needed, for fear of more regulation being imposed or the risk and cost of in-flight projects being stalled.

Investors expect a level of regulatory uncertainty when waiting for the results of the Commission's process – they know that is how the system works. What has made investors so concerned is that following such a positive Commission report, yet another review has been launched based on the same submissions the Commission considered and dismissed. This concern extends beyond just the airport sector, with investors now questioning New Zealand as a stable investment destination.

Our submission includes a full set of feedback from investors, including a letter from one. In summary, the sentiment can be captured in these quotes:

> *"While the MBIE review is underway, we won't be allocating any further capital to New Zealand"*
>
> *"How can we continue to make long-term investments in New Zealand given the uncertainty over the regulatory regime?"*
>
> *"We are shocked that the Government would launch a review of the regulation so soon after the Airport committed to a significant infrastructure spend. It has sparked investor concern about increased sovereign risk. With infrastructure, you can't just pick it up and move it, and we are making investment decisions based on trust"*

Auckland Airport agrees with MBIE that changes to airport regulations would have little impact on airfares

This conclusion from MBIE in 2018 remains very true today: *Airport charges form a small part of airlines' charges to customers and are not significant compared to other forces (such as competition within the airline industry).*

Auckland Airport's charges make up just 4-6% of domestic fares, are lower than other airports in New Zealand and we have discounted them following feedback from the Commission. Yet airports are being looked at again, but airlines are not.

Air New Zealand's average one-way airfares have risen by 30% since 2019 and now sit at an average of $184 – an increase of $42. Auckland Airport's domestic jet charges now sit at $11.75 – an average increase of less than ninety cents a year since 2019. By 2027, the end of this pricing period, they will remain at or below those of other New Zealand airports.

Airport regulation was amended to be more flexible in 2018

MBIE asked many of the same questions it is asking now in 2018, which resulted in changes to the Act that added a lot of flexibility to change airport regulation. These amendments increased the threat of greater regulation for airports, as was recommended by MBIE at the time.

There is no new evidence or analysis that has been identified since 2018 that indicates the system requires reform. All the evidence, including the Commission's recent review of Auckland Airport, demonstrates that the current system is working.

Further lowering the bar to establish the need for regulatory risks airports not investing in the interests of consumers

What is deeply concerning is the idea of lowering the bar to establish ***IF*** a change is required. It is essential that the Commission be required to go through a robust process, as already set out in the Act.

Any changes to the current process that dilute the Commission's role or the steps it is required to undertake, including the appropriate due diligence and cost benefit analysis, risks a new form of regulation being imposed that disincentivises airports from investing.

The airport sector invests billions of dollars in long run assets and recovers costs over decades. The robustness of these processes underpins the regulatory stability that investors require, even if it takes some time.

Airport regulation works and current settings should be maintained

Auckland Airport is undertaking a once in a generation upgrade of a nationally significant asset to make it more resilient and add capacity, and taxpayers don't have to pay a cent. Instead, the cost will be recovered over decades on a user pays basis, all overseen by the Commerce Commission to ensure we charge a fair rate to airlines.

Given New Zealand's significant infrastructure deficit, this model should be celebrated. Ipsos Research from 2024 indicates the public see airports as the best performing infrastructure in New Zealand. That isn't a coincidence, it is a result of regulatory regime that allows us to invest in the long term.

Yours sincerely

Mary-Liz Tuck
Chief Strategic Planning Officer, Auckland Airport

Cc Carolyn Tremain, Chief Executive, MBIE