

Media Release: Auckland Airport extracting \$53 million from consumers in excess charges

Airlines for Australia and New Zealand (A4ANZ) Chairman, Professor Graeme Samuel AC, today said that more must be done to protect airport users from the market power exerted by monopoly airports. According to a report released by the [Commerce Commission yesterday](#), Auckland International Airport (AIAL) has set prices that are not in the long-term interest of consumers.

Commenting on the Commerce Commission's Review of AIAL's pricing decisions and expected performance (July 2017 – June 2022), Professor Samuel said that the report affirmed the serious concerns raised by airlines and other airport users that they were being overcharged. "The Commerce Commission's analysis reached the conclusion that AIAL was targeting excessive profits, and they were unconvinced by the airport's attempts to justify their pricing. AIAL's decision to again target returns above the Commerce Commission's mid-point WACC estimate makes it clear that New Zealand's light-handed regulatory regime is not appropriately constraining the airport in its ability to extract excessive profits."

A4ANZ's CEO, Dr Alison Roberts said, "The Information Disclosure regime is intended to constrain monopoly pricing through an inherent threat of greater regulation. But it is clear the system isn't working. The Commerce Commission's report specifically noted that while AIAL is encouraged to provide services at the quality that consumers demand, there is nothing to prevent the airport setting charges as it sees fit."

"The NZ Airports Association (NZAA) argued that [the airport's profit is "fair and reasonable"](#), but this claim sits in stark contrast to the Commerce Commission's assessment and earlier analysis by [Frontier Economics](#) showing that Auckland Airport has the second highest profit margin of all analysed international airports," Dr Roberts said.

Professor Samuel said, "The Commerce Commission's 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, "We hope that the Commission sees fit to exercise its new powers, under the [Commerce Amendment Bill](#) passed last month, to undertake an inquiry. Unfortunately those powers do not extend to them imposing a negotiate-arbitrate regime for the airport and its users, but they are able to recommend this to Government. In the meantime, however, all the excess costs outlined continue to be paid by airlines. Clearly something needs to change."

Responding to the NZAA's description of the charges as 'modest', Professor Samuel said "Under the light-handed regulatory system, AIAL has clearly been able to exercise its market power to extract excessive profits from airport users. It is a fact that an airport or indeed any business with market power has the ability to sustain prices for its services above efficient costs or deliver a poor quality of service. This comes at a cost to the New Zealand community, both financially and through lost opportunities for improving the quality and efficiency of airport services."

"We await AIAL's response to the Commission's findings, but sensible policy cannot rely on goodwill alone. A4ANZ's members want to see a vibrant aviation sector, which is in turn good for both consumers and the economy. To do this we need to comprehensively address the issue of airport monopolies and market power, through a regulatory environment that encourages innovation and efficiency." Professor Samuel said.

Media Enquiries to Graeme Samuel +61 408 335 555

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Website: www.a4anz.com

Twitter: @a4anz