Auckland Airport

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Auckland Airport to reduce prices to airlines

Auckland Airport has carefully considered the Commerce Commission's final report on pricing and decided to reduce its charges to airlines by $33 million over the current five-year pricing period in net present value terms, equating to 31 cents per passenger.

"Our approach to pricing reflects the need to provide for the future and address business risks specific to the airport, including undertaking a multi-billion dollar 30-year infrastructure programme," Adrian Littlewood, Auckland Airport's chief executive, said today.

"We believe the prices we had set were fair and in line with international standards. Estimating a target return is not an exact science and while the Commission acknowledged that the airport could justify a slightly higher return than its benchmark, we reached different views on what was justified. We have listened to their feedback and believe this is reflected in the reduced charges to airlines."

Auckland Airport has reduced its target return from 6.99% to 6.62%, compared to the Commission's benchmark for airports of 6.41%.

"We will continue to invest in building a world-class airport and deliver our planned major anchor projects to meet growth and the needs of travellers. We will continue to review the risk profiles of our current programme comprising more than 200 projects."

The changes will take effect by way of discounts on landing and passenger charges from July 1 2019 and apply for the remainder of the pricing period which ends in June 2022.

Previously, effective international charges per passenger fell by 1.7% per annum in real terms. Now the reduction is 2.5% per annum. Effective domestic charges per passenger will, instead of increasing by 0.8% per annum in real terms, now fall by 0.1% per annum.

Mr Littlewood said Auckland Airport is focussed on delivering for the future. The company is continuing to invest circa $2 billion over the five-year review period on a wide range of improvements including significant terminal and airfield upgrades, new roads and utilities.

ENDS

Note to editors

Airport prices to airlines are set and reviewed every five years as part of a transparent and regulated process under the Airport Authorities Act and Commerce Act.

This applies to core aeronautical services such as airfield facilities, terminals, and aircraft and freight facilities for maintenance, service and freight handling. Non-aeronautical services, such as retail and food and beverage outlets, are outside the regulatory process.

In accordance with an information disclosure regime set by the Commerce Commission, airports report annually on financial, investment and service quality issues and provide detailed five-year pricing forecasts of capital expenditure, operating costs and target return.

The Commerce Commission does not set prices but monitors and assesses this information. Its views on pricing exert an important influence on a regulated business.

The regulatory regime was updated in December 2016 when the Commission also confirmed it would consider airport-specific circumstances in assessing the target return used for pricing.

Prior to the current 5 year pricing period commencing in July 2017, Auckland Airport consulted closely with airlines.

Auckland Airport's pricing placed it on a par with similar airports oversees and in the middle of the pack of global airports generally. It reflected Auckland Airport’s view of what was needed to provide for a major infrastructure upgrade over the next 30 years.

The Commission said it considered the risks associated with Auckland Airport's investment programme could justify a return that is slightly higher than its benchmark estimate. It was not persuaded that the full extent of Auckland Airport's target return was warranted but did not say exactly what return was justified.

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