



27 August 2024

Adrienne Meikle  
Chief Executive  
Commerce Commission

Kia ora Adrienne,

### **Commerce Commission Review of Price Setting Event 4 – Auckland Airport**

Local Government New Zealand (LGNZ) welcomes the opportunity to submit on the Commerce Commission’s Review of Price Setting Event 4 – Auckland Airport. Ensuring people are able to travel around the country safely and affordably is crucial for maintaining thriving communities, and therefore of significant interest to local government.

LGNZ appreciates the need for investment in New Zealand’s largest airport. However, we are concerned that the excess profits identified in the review will result in unreasonable increases to already-high ticket prices, as well as potentially posing a threat to the viability of smaller carriers, which provide crucial competition in a small aviation market.

### **Keeping air travel affordable is crucial for the wellbeing of New Zealanders**

Ensuring people can get around New Zealand quickly, safely, and affordably is a critical issue for local government, particularly councils in more isolated parts of the country. With limited other options for interregional travel beyond private vehicles, New Zealand relies heavily on the service provided by its airports and airlines to bring tourists, workers and other visitors in and out of our communities.

We acknowledge that Auckland Airport has faced a number of challenges in recent years. The COVID-19 pandemic was catastrophic for the aviation sector, and LGNZ commends Auckland Airport’s move to freeze aeronautical prices at FY2022 levels for FY2023. Moves like this were essential for avoiding the aviation sector collapsing altogether, which would have had a devastating impact both on the economy and on New Zealanders’ way of life.

We also acknowledge Auckland Airport’s critical role in New Zealand’s transport infrastructure, as our largest airport and a key enabler of travel not just to Auckland but to a range of regional destinations, which use it as a hub.

### **Councils are concerned about the effects of Auckland Airport increasing its charges**

We do not dispute the need for investment by Auckland Airport in its facilities, particularly in its domestic terminal. While we note the Commission has not expressed concern about the proposed new domestic terminal, we still encourage Auckland Airport to consider how it could deliver such an upgrade in a way that reduces pressure on charges to airlines.



The excess profits identified by the Commission of between \$193.4 million and \$226.5 million are of significant concern to LGNZ members. Ticket prices in New Zealand are already a significant barrier to many people being able to travel around the country, particularly when travelling to, from or between smaller cities.

Further increases to what are already relatively high prices don't only have a direct impact on consumers in the short term. They could represent an existential threat to smaller airlines that are unable to absorb increases or spread them across a wide range of routes. In a small market with few established players, this could mean a significant reduction in levels of service available to New Zealanders.

LGNZ would encourage Auckland Airport to engage constructively with the Commission, airlines and other affected stakeholders to come up with a better plan that addresses Auckland Airport's legitimate need for infrastructure investment, while maintaining choice and affordability for consumers.

LGNZ would also be interested in understanding the extent to which the Commission has assessed the capital efficiency of Auckland Airport's proposed capital spend, and whether determining and enforcing a price-quality path for Auckland Airport would be a more effective way for the Commission to fulfil its role as economic regulator.

LGNZ thanks the Commission for the opportunity to submit. For further information or if we can be of any assistance, please contact [REDACTED]

Ngā mihi,

