

8 November 2023

By email to infrastructure.regulation@comcom.govt.nz

Infrastructure Regulation
Commerce Commission
WELLINGTON

REVIEW OF CHRITCHURCH AIRPORT'S 2022 – 2027 PRICE SETTING EVENT – CROSS SUBMISSION

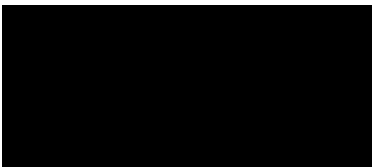
Thank you for the opportunity to provide a cross submission on the Commerce Commission's Review of Christchurch Airport's 2022 – 2027 Price Setting Event. NZ Airports provided its submission on the Commission's CIAL PSE4 Review consultation paper on 24 October 2023.

Following our review of the submissions on the Consultation Paper, it is apparent that airlines are generally supportive of CIAL's approach to PSE4. NZ Airports wishes to comment on two specific points raised in the submissions that are relevant to all airports: route incentive payments and reduction in capital expenditure. Both topics illustrate airlines' incentives to resist airport expenditure on initiatives that can promote competition for the long-term benefit of consumers.

BARNZ and Air New Zealand argue that it is inappropriate and unusual for airports to recover route incentive payments from existing customers via aeronautical charges. We note that the Commission has previously considered the treatment of route incentives and accepted that some sharing of risk for volumes associated with route development activities and costs is appropriate. It observed that route incentive payments are a legitimate cost because investment in such development activity can provide benefits to airlines in lower unit costs resulting from increased volumes and is in the long-term interests of passengers.¹ NZ Airports agrees.

BARNZ and Air New Zealand also focus on the reduction in CIAL's capital expenditure and support CIAL's effort to defer projects to PSE5. These sentiments from the airlines are consistent with the points raised in our submissions in the 2023 IM Review process about the airlines' incentives to resist investment in new capacity. By seeking to constrain airport investment in capacity, airlines increase their margins and their ability to charge higher prices for flying through the airport. This results in long term losses for customers in the form of higher airline fares.

Yours sincerely



Billie Moore
Chief Executive

¹ See for example: Commerce Commission *Review of Auckland International Airport's pricing decisions and expected performance (July 2017 – June 2022) – Final Report* (1 November 2018) at paragraph [B72]; Commerce Commission *Review of Christchurch International Airport's pricing decisions and expected performance (July 2017 – June 2022) – Final Report* (1 November 2018) at paragraphs [120] and [128]; Commerce Commission *Input Methodologies review decisions – Topic paper 5: Airports profitability assessment* (20 December 2016) at paragraph [679].