

**Submission by NZ Airports Association on the  
Productivity Commission International Freight  
Transport Services Issues Paper**

**7 September 2011**

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## Introduction

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1. This is the submission from the New Zealand Airports Association (“NZ Airports”) on the International Freight Transport Services Issues Paper (“Issues Paper”) issued by the New Zealand Productivity Commission (“Commission”) dated July 2011. This submission is made on behalf of the Association’s members and should be read in conjunction with separate submissions that may be provided by individual airports.
2. In making this submission NZ Airports comments only on the issues and questions relevant to the airport sector. We therefore do not respond to all of the questions detailed by the Commission in the Issues Paper.
3. NZ Airports will be pleased to provide any further information required in support of this submission.

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### **Structure** of this submission

4. This submission is divided into three parts.
  - Part A provides introductory comment on the role of airports in facilitating international freight services.
  - Part B provides comment on the economic regulation of airports in New Zealand.
  - Part C provides responses to the questions raised by the Commission in the Issues Paper relevant to the airport sector.

## Executive Summary

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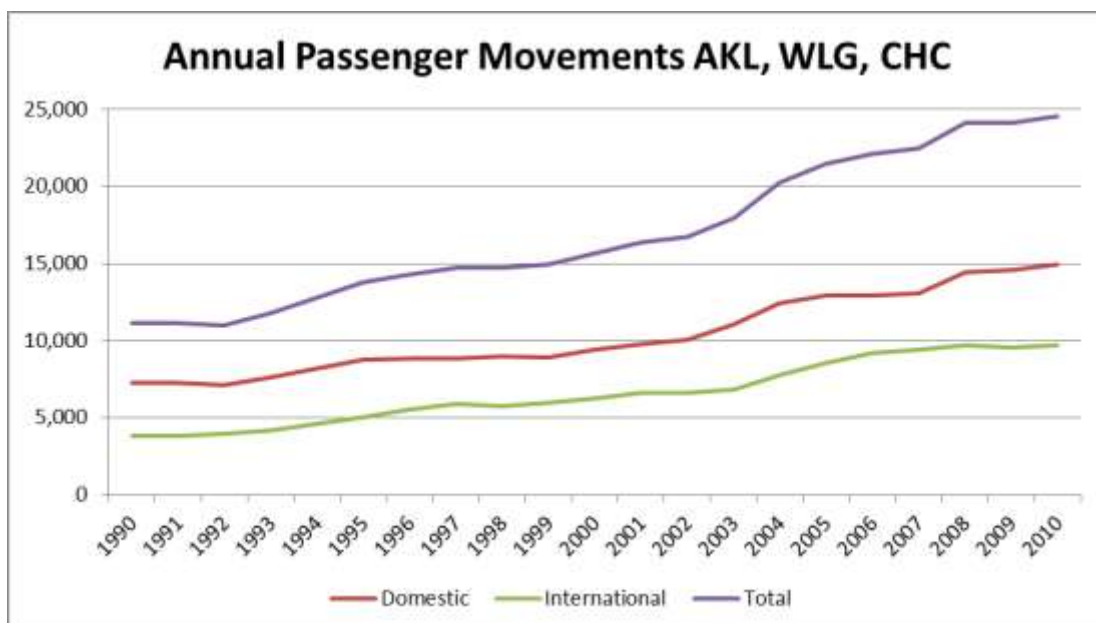
5. Airports in New Zealand do not participate directly in the international air freight services market other than by providing infrastructure or acting as landlord to the airlines and other companies participating in the industry.
6. This operating model means that the airports have no direct role in the processing of international air freight at airports. The air freight business in New Zealand is managed by a combination of:
  - The airlines that carry the freight;
  - Ground handlers at airports that load or unload aircraft; and
  - Freight forwarders who deliver the goods to/from the airport.
7. Nonetheless airports play a significant role in providing the environment for growth in the freight market. The vast majority of international air freight is carried in the holds of international aircraft operating passenger services. The airports undertake considerable market development initiatives to seek growth in aircraft services which benefits both the passenger and freight markets. International passengers accommodated by the three airports have increased by over 150% in the past twenty years compared to the 67% growth in export freight volumes at the three airports shown in the Issues Paper.
8. Airports must also undertake ongoing investment to facilitate and support this growth. While major airport investments do not directly relate to the freight market the ongoing development of facilities to accommodate aircraft movements (i.e. runways, taxiways, aircraft parking stands) result in the development of facilities that are required for both the passenger and freight markets.
9. New Zealand's international competitiveness can be greatly impacted by the terms of bilateral air agreements with other countries. Agreements principally founded on reciprocal rights may harm New Zealand, which does not have the scale to provide corresponding benefits to other large economies, and can place limits on growth initiatives for individual airports if successful route development by other airports utilises all capacity within an agreement. The prevalence of a liberal air services policy in New Zealand should be the optimum strategy to maximise the opportunities for New Zealand from both air passenger and freight markets. NZ Airports notes that the Ministry of Transport is currently undertaking a review of New Zealand's air services policy and NZ Airports encourages the Commission to participate in this review.
10. While not directly involved in the freight market the airports have achieved recent efficiencies in passenger processing through collaborative efforts with the airlines and Government agencies, such as airline kiosk check in facilities and Smartgate international passenger border processing. The airports are willing to participate in a similar manner if this can assist with the achievement of greater efficiencies in the processes for handling freight.

11. The three large airports have different ownership structures but are all subject to the Airport Authorities Act 1966 which requires the airports to act as commercial undertakings and contains price setting requirements for airports to consult with airlines.
12. Future regulatory overview of airports will be undertaken by the Commerce Commission following changes to the Commerce Act in 2008. An extensive information disclosure regime has been developed with the airports to provide their first pricing disclosures by 30 September 2011 and their first annual performance disclosures for the 2011 financial year ends in the first half of 2012.
13. The Information Disclosure regime requires the airports to comply with Input Methodologies that the Commission has determined for asset valuation, cost allocation and calculation of tax. The airports, and Air New Zealand, consider that aspects of the Methodologies do not meet the Commerce Act purpose statement and have lodged merits appeals in respect of these issues. The appeals are not likely to be heard until 2012.
14. The effectiveness of this regime cannot be assessed until the airports have provided their initial disclosures and the Commerce Commission has undertaken its required monitoring report and its 2012 review of the effectiveness of the new regime.
15. It is of concern to the airports, however, that the Commerce Commission's approach is founded on a de facto price cap approach. Experience in Australia has demonstrated that this is not a conducive environment to facilitating the capital investment required to keep pace with market growth.
16. A lack of certainty in the regulatory environment for airports continues to exist with the Commission scheduled to undertake a review of the information disclosure regime in 2012 shortly after the airports have made their initial disclosures under the new reporting regime.
17. This situation conflicts directly with the Government objective outlined in the 2011 National Infrastructure Plan where the Government comments that it wishes to provide regulatory certainty for sea and air ports.
18. In NZ Airport's view it is important that that reviews of regulatory policy are undertaken independently of the regulator that has responsibility for designing and monitoring specific regulatory requirements. NZ Airports considers that the establishment of the Productivity Commission enables this independence to be achieved and consequently there may be a future role for the Commission to undertake a review of airport regulation in New Zealand, in a similar manner to that of the Australian Productivity Commission. Such a review would enable the Commission to develop an independent recommendation to Government on the merits or otherwise of regulatory control of airports, given that the outcome affects both the passenger and air freight markets.

## Part A – Role of Airports in Facilitating International Freight Services

### Introduction

19. New Zealand airports are fundamentally infrastructure providers and landlords. However in addition to a normal landlord function airports are promoters of airline capacity, routes and aviation market competition which establish the airports as significant economic contributors to their regional economies. Airports provide the physical infrastructure necessary to accommodate the movement of aircraft and passengers whilst meeting security, safety and operational quality and efficiency requirements.
20. Airports understand the link between economic growth and freight and in their master planning work provide for potential future airfreight capacity requirements, but the reality is that currently the bulk of air freight imported to and exported from New Zealand is carried in the hold of commercial passenger flights.
21. The combined effect of these factors is that investment in airports is directed towards increasing aircraft movements and passenger volumes, and thereby indirectly freight. Airports play their part in developing air transport markets and continually improving facilities on the ground to accommodate the services required by airlines, freight forwarders and their customers.
22. The Issues Paper shows on page 13 that total exports through NZ airports have increased from around 60,000 tonnes to 100,000 tonnes in the 20 years commencing from 1990, an increase of 67%. Growth in passengers achieved by the airports is shown below.



23. Since 1990 total international passenger numbers at the three airports grew by 153% and total passengers by 121%. The significant growth in international passenger capacity above the increase in freight carried suggests that considerable capacity could exist on aircraft for ongoing growth in freight volumes, but we note that the extent of additional capacity is influenced by the mix of wide body aircraft operating to long haul international routes and narrow body

aircraft operating on the trans-Tasman and Pacific sectors. (Short haul/narrow body aircraft, e.g. Boeing 737 or Airbus 320, have significantly less capacity than long haul/wide body aircraft to carry cargo).

24. The regulatory framework governing airports has been the subject of inquiry and review since the mid-1980s. Aspects of this regime are currently the subject of court proceedings. However currently, and despite this uncertainty, airport owners have continued to invest in the development of infrastructure.
25. Provided a light-handed approach to regulation is maintained, it is likely that this attitude to continued investment will continue in New Zealand. Certainly the Australian Productivity Commission's recently released draft report<sup>1</sup> on airport regulation, which found light-handed regulation to be working well, suggests that this would be the case. We comment further on this later in this submission.

### **Airport role in international air freight services**

26. The New Zealand airport operating model is that of infrastructure provider and landlord. The airports are required to provide the physical infrastructure necessary to accommodate the movement of aircraft and passengers whilst meeting security, safety and operational quality and efficiency requirements.
27. This model requires airports to have considerable interactions with airlines, government agencies and other commercial parties on a regular basis to ensure that the requirements of these parties, and passengers, are met on a consistent basis.
28. This operating model means that the airports have no direct role in the processing of international air freight at airports. The air freight business in New Zealand is managed by a combination of:
  - The airlines that carry the freight;
  - Ground handlers at airports that load or unload aircraft; and
  - Freight forwarders who deliver the goods to/from the airport.
29. The airport role is consequently to provide access to sufficient facilities at the airports to enable these parties to meet the demand for international air freight services. This is achieved by airports providing access to secure airport facilities and leasing of space required for processing of physical freight. Any risk of constrained capacity (i.e. congested runways) affecting freight services is reduced in the case of specialised freight-only operators because they are generally free from the passenger-related peak arrival and departure times for other flights. Night operations of freight aircraft could be affected by noise curfews, for example at Wellington.
30. Airlines and ground handlers must have direct access to airport land to enable processing of aircraft which includes passengers and freight services. Freight forwarders also have the option

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<sup>1</sup> Australian Government Productivity Commission, Economic Regulation of Airport Services, Productivity Commission Draft Report, August 2011

to secure commercial leased land from airports, and this occurs, or to lease necessary land or facilities from other landlords in the proximity of the airport.

31. It follows that there are competitive pressures on airports in relation to their provision of space to freight forwarders. Since freight forwarders can lease land either within or outside an airport's boundaries, it may be expected that the rentals at which airports lease land to freight forwarders will bear a close relationship with market rentals for commercial leased land in the vicinity of the airport. NZ Airports is not aware of any impediments at any of the three larger airports to the processing of international air freight.
32. For the Commission's information NZ Airports notes however that road transport infrastructure beyond the airport boundary is also critical. While this is the responsibility of national and regional authorities, airports seek to work with these agencies on their long term strategies for transport networks from airports. The efforts of efficient airports, airlines and freight forwarders within airport boundaries can be undone by poor transport access to and from airports. The roading access to Auckland airport has undergone considerable upgrades in past years while the Wellington City Council and The National Transport Agency have a core strategy to develop an improved corridor from the airport to the North of the city. In addition the Roads of National Significance developments in Christchurch<sup>2</sup> are also essential to improving access past and to the airport campus, particularly to the airport's new Freight and Logistics precinct.

### **Airport's as facilitators of growth in international air freight services**

33. The airports invest considerable resource to seek long term growth of the aviation market to, from and within New Zealand. Market development activities are undertaken by the airports to seek increases in air traffic to New Zealand.
34. The vast majority of international air freight imported to and exported from New Zealand is carried in the hold of passenger aircraft<sup>3</sup>. This enables airlines to maximise their financial yield from each flight. NZ Airports understands that it is often the combination of the yield from passengers and freight that makes a service economic for an airline to operate, although NZ Airports does not have access to this airline information.
35. Growth in air traffic facilitated by an airport therefore increases both passenger and freight capacity. The growth achieved in recent years is shown in Figure 6 in the Issues Paper.
36. Prospects for continuing growth are evident from the increased connectivity that Auckland Airport is achieving, with services to China a recent example, and from the strategy that the Wellington region, including Wellington Airport and local government, is pursuing to develop

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<sup>2</sup> The Christchurch roads of national significance include various sections of state highways; SH1, the Western Corridor, from Main North Road in Belfast to Main South Road in Hornby; the Northern Arterial, a new road bypassing Belfast to connect with QE2 Drive; the Western Belfast Bypass, also bypassing Belfast and connecting with SH1 at The Groynes; and SH73, the Southern Motorway extension from Brougham Street to Halswell Junction Road (Stage 1) and then the further extension to rejoin SH1 south of Waterholes Road (Stage 2) and widening the existing highway as far south as Rolleston (Stage 3). These roads provide access to the international airport (SH1), the Christchurch Central Business District (CBD) and to the Port of Lyttelton (SH74 and SH73).

<sup>3</sup> AIAL advises that 90% of freight carried into Auckland is in the holds of passenger aircraft. Dedicated international freight carriers do not operate to CIAL or WIAL.

long haul services from Wellington Airport. Medium term capacity growth at Christchurch Airport will be constrained following the reduction in services approved by the Government for the Air NZ and Virgin Blue alliance following the Christchurch earthquake although an increase in services to Singapore is scheduled in early 2012.

37. Long haul services are more critical with respect to freight due to the higher capacity available within wide-body aircraft holds and the ability of these aircraft to accommodate generic air freight containers. Prevalent short haul aircraft, e.g. Boeing 737 or Airbus 320, have significantly less capacity than the larger aircraft to carry cargo in addition to passenger baggage and do not have the ability to accommodate the larger air freight containers.
38. In the past decade the aviation market has undergone considerable change with the advent of low cost carriers. NZ Airports is unaware of the extent to which these airlines may be engaging, or wish to, engage, in the air freight market and suggests that the Commission obtain an insight on this from the airlines. This may assist the Commission with developing its future expectations for growth in the air freight market.

### **Accessibility of air transport markets**

39. While airports invest considerable resource to achieve long term growth in aviation markets, which benefits the freight and passenger markets, these efforts can only succeed within the boundaries set by the bilateral aviation agreements approved by the New Zealand Government.
40. Restrictive or constrained agreements that are founded on shared benefits between New Zealand and another country can be to New Zealand's detriment. That is, if reciprocal benefits are sought in the agreements, then the growth opportunities for New Zealand may be curtailed because New Zealand does not have the size to generate reciprocal benefits with larger economies, such as China.
41. Successful development of services to some markets by one airport can also restrict the opportunities available to another airport in cases where the air services agreements have capacity limits for services between countries. This is irrespective of whether market demand exists on other or new routes and airline willingness to operate them. Additional capacity introduced on new routes would provide New Zealand importers and exporters access to alternate distribution networks and would be expected to stimulate trade and growth.
42. Continued development of a liberal air services policy for New Zealand would remove any potential impediments and allow airlines, airports and freight companies to seek market growth through stimulation of demand.
43. The Ministry of Transport is currently undertaking a review of New Zealand's air services policy and NZ Airports encourages the Commission to contribute to this review. NZ Airports will be making a submission to the Ministry.

### **Airport investment in infrastructure**

44. Airport investment is characterised by large incremental sums that produce step increases in airport capacity in order to accommodate long term growth. Airports typically undertake long term planning for their major infrastructure by completing Master Plans. Smaller, and more

incremental, investments to respond to progressive demand increases are typically less cost effective than undertaking more infrequent, but larger, developments of facilities.

45. Investment is however feasible if it is required for separate or adjunct facilities to the main airport infrastructure which may support aircraft, passenger or freight activities. Typically this investment follows negotiation of commercial lease agreements between the airports and third parties. Examples of such investment include:
- The aircraft maintenance hangar being constructed at Wellington Airport on the Western side of the facility (opposite side of the runway to main passenger facilities);
  - A freight facility constructed for freight forwarders AEI at Wellington in 2001;
  - Warehousing and office facilities for ground handlers at Auckland Airport;
  - Hangar, warehousing and office facilities for New Zealand Post at Auckland Airport; and
  - Development of a dedicated Freight and Logistics precinct at Christchurch Airport.
46. The only evident constraint to further investment by airports is the lack of available suitable aircraft capacity to support local/regional freight requirements at some airports. Development of further aircraft capacity would enable further opportunity for each of the airports to invest further in freight handling facilities which need only be subject to commercial and market issues.
47. Fundamentally, however, airports need to ensure that they invest appropriately to accommodate forecast growth in aircraft movements and passenger volumes. There is ample evidence that New Zealand's large airports have consistently invested in facilities to accommodate growth and improve services for passengers. Examples of this are:
- Auckland Airport's enhancement, over a number of years, of its runway and apron to accommodate new generation A380 aircraft from 2009.
  - Auckland Airport's development of expanded check in facilities and international Pier B.
  - Wellington Airport's development of the new main terminal and subsequent investment in expanding the capacity of this facility, including the recently opened extension to the North Pier, the *Rock* terminal development and the construction of additional aircraft gates to accommodate existing domestic and international jet aircraft.
  - Christchurch Airport's recently opened new terminal.

A review of the Disclosure Financial Statements published by the three major airports for the 5 years to 2010 demonstrates the significant and ongoing investment made by the airports to accommodate capacity increases and provide an improved airport experience to airlines and passengers.

### **Summary of Airport Investment 2006 to 2010**

	<b>\$000</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Auckland		19,699	81,305	99,683	56,814	38,508
Wellington		11,851	15,511	18,698	15,137	20,466
Christchurch		13,241	11,002	18,302	15,176	44,443
<b>Total</b>		<b>44,791</b>	<b>107,818</b>	<b>136,683</b>	<b>87,127</b>	<b>103,417</b>

**Source:** Airport disclosure financial statements – cash commitments for acquisition of plant, property and equipment.

48. This investment is however not directly associated with the processing of international air freight services but rather in the facilities to accommodate more aircraft and passengers.
49. In investing to accommodate more aircraft movements the airports are also facilitating capacity increases in the air freight business.
50. However the airports have little basis to invest directly in facilities to process air freight. The new information disclosure requirement for airports, about which further comment is provided in Part B, requires publication of forecast demand and capital expenditure for a 10 year period enabling interested persons to assess the adequacy and timing of planned investment. The demand forecasts however do not include freight volumes because the airports do not have access to this information and the airlines, in the consultation process concerning design of the information disclosure regime, did not support the provision of this information to airports.

### **Airport ownership**

51. In the Issues Paper the Commission referred to the significant local authority ownership of Auckland and Christchurch airports and showed that Wellington City Council also holds a significant shareholding in Wellington airport. The Commission does not however refer to the majority ownership arrangements for the Auckland and Wellington with Auckland Airport listed directly on the New Zealand Stock Exchange and Wellington subject to the Exchange requirements through its debt listing, and the listing of its majority owner.
52. The Commission then discusses the implications that can arise from local authority ownership with local authorities being required to balance multiple objectives in their decision making and imply that this may have an impact on airport decision making.
53. The Commission has incorrectly described the actual statutory obligations that exist for the three airports and we explain these below.
54. Auckland and Wellington airports were established as airport companies by separate establishment Acts in 1987 and 1990 respectively. Christchurch airport was established as an airport authority by regulation in 1988.
55. The three airports are subject to the provisions of the Airport Authorities Act 1966 (AAA). The AAA essentially provides the overall operating powers for the airports.
56. A fundamental requirement in section 4(3) of the AAA is for the airports to operate as “commercial undertakings”. This statutory obligation was inserted into the AAA in 1986 and is directed towards requiring airports to operate in the same efficient and profit-maximising

manner as any other commercial enterprise. This obligation to operate commercially was in fact considered in High Court proceedings with the Judge commenting that:

*“The direction is to act “commercially”. A commercial operation spends money to make money. It builds a factory or buys a farm as an investment to produce a profit. It always seeks a return upon such “sunk” capital. If there were no prospect of return from capital outlay, it would not be made. The commercial operator is not building a church or a monument. As a matter of ordinary language and understanding, when a company spends money on assets, against the background of a direction to act “commercially”, it is expected to produce a return on that expenditure. In any ordinary use of the term, one does not act “commercially” by abandoning return upon sunk capital, as is inherent for the most part in marginal cost pricing.”<sup>4</sup>*

57. This obligation therefore establishes the overriding mandate for the Boards of the three airports and removes any potential conflict with the wider objectives that local authorities have to their regions. This requirement therefore establishes the same objective for airports that the Commission refers to for port companies; that is, the Port Companies Act objective for port companies to *“operate as a successful business”*.

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<sup>4</sup> *Air New Zealand Ltd & ors v Wellington International Airport Ltd* HC Wellington CP829/92 & CP13/93, 15 October 1993 at 19 per McGechan J.

## **Part B – Economic Regulation of Airports in New Zealand**

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58. The three main airports in New Zealand are subject to the AAA and a revised, and considerably more comprehensive, information disclosure regulation, following recent changes to Part 4 of the Commerce Act 1986.
59. In the past decade however there have been ongoing reviews of this environment, and market structural challenges, which have created an uncertain environment for investors in airports. Examples are:
- Commerce Commission Airfield Inquiry relating to three major airports - final report issued in 2002.
  - MED review of Inquiry report, including requirement for submissions from airports, and consideration by the Government in 2002/2003.
  - Air New Zealand and Qantas alliance application in 2004 which would have had a marked impact on the New Zealand market if it had proceeded.
  - Select Committee consideration of the Commerce Act in 2007/08 with airports brought into the Commerce Act.
  - Commerce Commission consultation process to design new regulatory requirements in 2009 and 2010.
60. A further review of the just implemented Commerce Act information disclosure regime is mandated to take place in 2012, once airports have made their initial disclosures and undertaken their next price resets. Regretfully from the airports' perspective this constant review of the industry has not produced increased regulatory certainty and therefore creates additional risk in the airport investment environment.
61. We comment on the components of the regulatory environment in this section and then offer submissions on how greater certainty may be achieved in the future.

### **Airport Authorities Act 1966**

62. The AAA establishes the basis for airports to set prices for identified airport activities<sup>5</sup>. The AAA requires airports to consult with their substantial airline customers (those which contribute 5% or more of aeronautical revenue) before fixing or amending any direct charges to those substantial customers (or any direct charges to passengers) in respect of identified airport activities. The airports must also consult at least every five years (whether or not such charges have been freshly fixed during that time).
63. The consultation process is an extensive process that involves the exchange of considerable information and discussion on the information used to determine prices before prices are set by the airports. This includes detailed consideration of the inputs to the pricing calculation (e.g. asset valuation, cost of capital, operating costs) and the structure and level of prices proposed

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<sup>5</sup> A specific list of regulated activities with definitions is included in the Section 2 of the AAA.

by the airports. Wellington Airport is currently in consultation with its substantial customers and the consultation material issued to date by all parties has been published for interested persons on its website [www.wellingtonairport.co.nz](http://www.wellingtonairport.co.nz). Auckland and Christchurch Airports will also undertake consultation with airlines to establish new prices to take effect during 2012.

64. In addition to the consultation requirements in the AAA, airports may negotiate separate commercial agreements with airlines. The objective of these agreements is to encourage airlines to introduce new services or to achieve above forecast growth in established routes.
65. Specified airport companies (which at the present time are Auckland, Wellington and Christchurch International Airports) are also required to undertake separate consultation in respect of capital expenditure (for projects that exceed 20% of the aeronautical asset base). Following discussion during the Commerce Commission consultation on input methodologies and information disclosure, the airports agreed to make a joint submission with the Board of Airline Representatives of NZ Inc. (BARNZ) to the Ministry of Transport recommending that the threshold be set at a reduced level of \$30 million.
66. In considering the 2008 amendments to the Commerce Act 1986 Parliament expressly determined that the pricing requirements in the AAA would be retained and that airports would be subject to a revised information disclosure regime. The main change in the regulatory regime for airports brought about by the Commerce Amendment Act 2008 was the introduction of more extensive and detailed disclosure requirements with prescriptive input methodologies. In addition, the information disclosure regulation for airports would in future be administered by the Commerce Commission rather than the Ministry of Transport.
67. The application of this regime specifically to international air freight services is not direct. Airports establish prices for use of airfield and terminal facilities. Airlines may be charged on a per passenger basis, aircraft weight (typically certified weight, not actual for each flight) basis or some other combination. Charges for aircraft carrying freight are included in these charges so there is no direct charge in respect of freight per se. This does not however diminish the impact of the consultation processes and the landing charges paid by airlines which it is assumed would be factored into the prices airlines charge for carrying freight.
68. NZ Airports therefore does not have access to information on the contribution or allocation of airport charges to the freight component of an aircraft operation. This information would have to be provided by the airlines.
69. For the Commission's information airport charges are typically compared to passenger airfares in part because there is no information available on the contribution of freight revenues to aircraft total revenues. In the Australian Productivity Commission report it was commented that "...figure B shows that airport charges as a proportion of airfares have remained low and relatively stable over that period"<sup>6</sup>. Figure B indicates that in the five years from July 2005 to July 2010 airport charges ranged from 3% to 9% of the lowest available airfare. This observation assumes that all airport charges are allocated to revenue collected from

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<sup>6</sup> Australian Government Productivity Commission, Economic Regulation of Airport Services, Productivity Commission Draft Report, August 2011, page XXVII

passengers. It is therefore evident that if a component of airport charges were assigned to freight the impact on the freight charges levied by airlines would not be material.

### **Commerce Act 2008**

70. The 2008 changes to the Commerce Act added a specific sub part 11 to Part 4 of the Commerce Act for airports and required the Commerce Commission to develop a new information disclosure regime for airports. The new regime was to comprise two parts:
- Input methodologies that would prescribe how airports were to treat some specified inputs in the Commission's information disclosure requirements; and
  - Information disclosure requirements for airports that would enable interested persons to assess the performance of the airport.
71. The Commission undertook an extensive consultation process during 2009 and 2010 before publishing the final determinations specifying the Commerce Commission's requirements in December 2010.
72. Information disclosures required by the Commerce Commission are:
- The methodology and bases for the airports' current pricing schedules are to be published by 30 September 2011.
  - Annual financial and service quality information for the year ended 31 March 2011 is to be published 11 months after the end of each airport's financial year (for future years the annual disclosures must be made within 5 months of the end of the financial years).
  - The methodology and bases for new pricing expected to be established by the airports in 2012 to be published within 20 days of the prices being set.
73. The information disclosure requirements are extensive and require considerable development of new processes and material by each airport to meet the Commerce Commission's requirements.
74. A fundamental part of the new regime is that the Commerce Commission is required to prepare annual monitoring reports of the disclosures made by airports. Section 53B(2)(b) of the Act requires that the Commission " *must, as soon as practicable after any information is publicly disclosed, publish a summary and analysis of that information for the purpose of promoting greater understanding of the performance of individual regulated suppliers, their relative performance, and the changes in performance over time*".
75. The Commission also notes in the Issues Paper that the Commerce Commission will also be required to review the effectiveness of the new information disclosure regime post the setting of new prices by the airports in 2012.
76. The disclosure regime does not include any specific reference to prices in respect of freight services because as explained above separate pricing in relation to freight carried is not established by any of the airports.
77. The disclosure regime does however require airports to show their annual financial outcomes for the Aircraft and Freight Identified Airport Activity. This activity includes the property lease

income earned from any commercially negotiated tenancies. This disclosure will provide an indication for interested persons of the financial return that airports are earning on this group of assets.

### **Commerce Act changes have not reduced regulatory uncertainty**

78. As commented above extensive reviews of airport regulation or pricing in the last 10 years have done little to improve regulatory certainty for airports.
79. Most recently the Commerce Act changes complete a review of airport regulation that commenced with the release of a discussion paper on Parts 4 and 4A of the Commerce Act by the Ministry of Economic Development in 2007. This has been an extended process that has required the commitment of considerable resource by the industry participants since that time. While the new Commerce Act regime is now in place it will not become effective until the airports publish their initial pricing and annual disclosures and the Commerce Commission has published its first annual monitoring report.
80. The requirement for the Commerce Commission to prepare monitoring reports is prescribed in section 53B(2)(b) of the Commerce Act. This requires the Commerce Commission to:
- “...must, as soon as practicable after any information is publicly disclosed, publish a summary and analysis of that information for the purpose of promoting greater understanding of the performance of individual regulated suppliers, their relative performance, and the changes in performance over time.”*
81. Nor is the regime fully bedded down. Various parties (Auckland, Wellington and Christchurch International Airports and Air New Zealand) have appealed aspects of the Commerce Commission’s input methodologies for specified airports services to the High Court. Those appeals will not be heard until 2012 at the earliest and, depending on their outcome, might result in changes to the input methodologies that are currently applicable to specified airport services.
82. The Commerce Commission is also required to evaluate the effectiveness of the new regime by completing a review in 2012 after the airports have reset their current prices. Given that the Commerce Commission is required to assess performance of the airports over time this will not be possible during the 2012 review because there will not be a series of annual disclosures from each of the airports. Hence the form and ongoing application of the new information disclosure regime is uncertain.
83. Ongoing uncertainty is not conducive to supporting long term investment, in and by airports, and does not meet the Government’s own objectives for the airport sector. The National Infrastructure Plan comments:
- “Sea and air ports are linked to the overall transport network to support efficient nationwide movement of passengers, domestic goods and export and imports and are able to respond to technological changes and the changing international and safety security standards”<sup>7</sup>, and*

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<sup>7</sup> National Infrastructure Plan 2011, New Zealand Government, page 26

while not directly funding international airports (and ports), the government “will ensure owners are confident that the regulatory environment is stable and transparent and it will support their future investment”<sup>8</sup>.

84. The airports will continue to seek a more certain regulatory environment in discussions with Government and regulators and in doing so will demonstrate that their commercial performances reflect competitive market outcomes.

### **Applicability of information disclosure regime to international air freight services**

85. The new information disclosure regime does not address airport pricing for freight services directly, (although it does include the Aircraft and Freight identified airport activity where outcomes from the airport’s landlord functions will be shown). The intent of the new information disclosure is to allow interested persons to form a view on whether the purpose of Part 4 of the Act is being met. Section 52A(1) of the Act provides:

*“The purpose of this Part is to promote the long-term benefit of consumers in markets referred to in section 52 by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—*

*(a) have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and*

*(b) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and*

*(c) share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and*

*(d) are limited in their ability to extract excessive profits”*

86. If the airports are behaving in such a way that the Purpose Statement is being achieved then the airports’ facilitation of international freight services will benefit from this.
87. That is, investment that facilitates capacity growth and improvements in efficiency, for the processing of international aircraft will also produce these benefits for the international air freight services market.

### **Is further economic regulation of airports required?**

88. Greater regulatory certainty for airport investors can only result in increased confidence in the industry and increased availability of funding to support ongoing investment. This has not yet been achieved.
89. The airports have no objection to transparency about their businesses and a disclosure regime which contains relevant financial and quality information. The Commerce Act regime however requires ongoing, and potentially extensive, interaction with the Commerce Commission both during its completion of annual reviews of information disclosures and during the scheduled 2012 review.

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<sup>8</sup> Ibid page 28

90. Airports have been and remain concerned that at the heart of the Commerce Commission’s monitoring of the information disclosure regime for financial information is a de facto price cap approach where the Commerce Commission will assess actual airport outcomes against input methodologies<sup>9</sup> that have been established by the Commerce Commission. The de facto price cap approach arises because the Commerce Commission will compare airports revenues to its own methodologies, which include a methodology for cost of capital which is not required to be applied by airports. This is of concern because price cap approaches have been shown to stifle investment.

91. The Australian Productivity Commission has undertaken several reviews of the airport sector in Australia. In their most recent draft report<sup>10</sup> they conclude that:

*“Under light handed regulation, airports have continued to invest to meet the growth in air travel, without the bottlenecks that have beset other infrastructure areas:*

- *There has been a marked increase in aeronautical investment since the removal of price-caps, with an additional \$9 billion projected over the next decade*
- *Aeronautical charges do not indicate misuse of market power and quality outcomes are generally ‘satisfactory’, although airlines have, on occasion rated two airports as ‘poor’*
- *Australian airports’ aeronautical charges, revenues, costs, profits and investment look reasonable compared with outcomes at overseas airports.”*

92. The significance of this conclusion from the Australian Productivity Commission is that they have undertaken a high level review of the Australian airports considering airline quality expectations and financial outcomes compared to overseas airports. They have sought to identify whether a problem exists in the performance of the Australian airports to determine whether further regulation of the Australian airports is warranted.

93. Despite submissions from NZ Airports, and the airports, throughout development of the recent changes to the Commerce Act and new information disclosure regime this same approach has not been undertaken in New Zealand. A prescriptive, de facto price cap type approach has been introduced in an effort to mitigate concerns expressed by airlines in their submissions during the development of the Commerce Commission’s input methodologies regarding airport pricing. If the de facto price cap regime becomes a step towards more prescriptive or definitive regulation of airports ongoing investment by airports will be at significant risk.

### **Prospective role for Productivity Commission**

94. NZ Airports notes the opportunity for the New Zealand Productivity Commission to consider the benefits of the Australian type review of New Zealand airports from the same principled high level approach. Completion of such a review by the Commission could:

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<sup>9</sup> The airports do not agree that the Commission has established appropriate methodologies for valuation and cost of capital and these will be subject to merits appeal in the High Court; a hearing will take place in 2012 at the earliest.

<sup>10</sup> Australian Government Productivity Commission, Economic Regulation of Airport Services, Productivity Commission Draft Report, August 2011, page XX

- Allow independent consideration of the benefits of economic regulation.. That is, the consideration of regulatory policy should be undertaken independently of the implementation role of the regulator.
- In particular, consider the effectiveness of airport regulation in New Zealand and prospective risks that de facto price cap or more prescriptive regulation may have on the level of investment by the New Zealand airports.
- Enable the Commission to provide independent advice to the Government.

95. NZ Airports acknowledges that this proposal is substantially wider than the current International Air Services Freight Study however our comments throughout this submission demonstrate that the freight business is to a high degree interwoven with the other airport regulated activities.

## Part C – Responses to Questions in Issues Paper

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96. New Zealand Airports provides its comments on the Commission's questions below. Responses are only provided to those questions that are relevant to airports.

Q1 Are there important issues that may be overlooked as a result of adopting an economic efficiency perspective for this inquiry?

Yes. Long term development of the international aviation market for passengers and freight is subject to bilateral agreements implemented by Government. Any limitation in the opportunity for the aviation industry to develop international market growth has prospect of curbing potential economic benefits for New Zealand. New Zealand Airports encourages the Commission to recommend removal of any barriers to international market development. NZ Airports notes that a review of New Zealand's air service policy is currently being undertaken by the Ministry of Transport. NZ Airport's encourages the Commission to have an input to this review.

The pursuit of economic efficiency outcomes to maximise the well-being of New Zealanders is an important objective however it must be pursued within an appropriate market structure.

Q2 Is the framework described in section 3.2 appropriate for this inquiry? Are there any important issues that might be missed?

No. The Commission has not included the airport equivalent of the Stevedoring function at port companies. Airlines have cargo handling agents at airports who perform the same functions as the stevedores. The airline handling agents may be employed directly by the airlines, as is the case in Air New Zealand, or by a commercial provider with contractual arrangements with the airlines.

NZ Airport's also notes that the Commission framework shows domestic air freight having an overlapping relationship with overseas air freight. This may be correct however NZ Airports is not aware of any publicly available information about the domestic freight market. Information to allow consideration of the consequence of this link for the overseas air freight market should be sought from the air transport operators.

Q3 Which components and component interfaces warrant greater attention? What is the evidence that they are inefficient? What contribution could changes make to the overall efficiency of the freight system?

New Zealand Airports cannot make any comment on the efficiency of air freight handling because of the airport companies do not have a direct role in processing freight.

Invariably however there are likely to be efficiencies that can be identified within the handling processes. The airports seek to achieve efficiencies in their own businesses on a continuous basis and work collaboratively with airlines and Government agencies to deliver improved services to passengers. Recent examples of this are:

- The new streamlined process introduced by Air New Zealand for domestic passenger baggage. This required expertise and investment by airports to adapt the domestic terminals and the baggage handling systems.

- The Smartgate technology that has been introduced for customs processing of international passengers between New Zealand and Australia. This required input and co-operation from the airports, airlines and Government agencies.

To the extent possible the airports would offer the same contribution to achieve efficiencies in the processing of air freight as they have with passenger processing, if opportunities are identified.

Q4 What environmental considerations should fall within the scope of this inquiry? What issues are of particular importance?

Carbon emissions from the international aviation sector have been identified as globally significant albeit that international complexities in the aviation market meant that aviation was not included in the Kyoto protocol, although it may be from 2012.

NZ Airports considers the fundamental issue for New Zealand in respect of any environmental impact processes is that New Zealand is not disadvantaged, (more than it is already as a result of our remoteness from other markets), by any international agreements. The New Zealand airports, and Air New Zealand have shown their commitment to minimising their carbon footprint in various ways (for example Christchurch airport announced in January 2008 that it had become the first airport company in the Southern Hemisphere to attain certified carbon neutral status) but competitive disadvantage compared to other international logistics chains must be avoided at all costs.

Q27 Are Auckland, Christchurch and Wellington airports subject to competitive pressure for the air-freight related services they provide? Do they exert market power to the detriment of New Zealand exporters and importers?

Airports do not have direct involvement in the carriage of freight and consequently do not have explicit market power in the freight market. Even the cost of facilities participants in the freight market may incur should they rent from the airports under commercial property agreements are subject to the pressures exerted in competitive markets.

The ability of airports to impact the freight market's capacity linked to their accommodation of aircraft capacity and willingness to invest in growth. As commented on above the airports invest considerable resource in seeking passenger market growth and investing in facilities to accommodate this. Prospective growth in the freight market can be achieved as a result of these efforts. It would in fact be counter intuitive for the airports to seek to constrain aircraft capacity which would then curb the freight market.

In principle, we understand that the potential air freight catchment areas for Auckland, Wellington and Christchurch Airports would have significant geographic overlaps. Competiveness between airports for freight services is dependent on airline services operating at the airports, and non-airport factors such as road transport services and costs. Undoubtedly all the major international airports, as commercial entities, would like to achieve increased shares of the air freight market in New Zealand but this will be a consequence of the airline route development founded predominantly on passenger demand and the development of airport and regional transport infrastructure able to accommodate growth. As previously commented air services agreements negotiated by the Government must also be founded on a liberal air services policy.

The Commerce Act information disclosure requirements will also provide the Commission with information on the airports forecasts for market growth, investment and service quality. This information will form the basis for the Commerce Commission to evaluate whether airports are inappropriately using market power.

Q28 Do current ownership and governance arrangements of New Zealand's international freight airports have any significant positive or negative effects on their long-term efficient configuration and operation, with respect to the supply of freight services?

No negative effects. Refer to comments in Part A.

Q29 The objective of a port company under the Port Companies Act is to 'operate as a successful business'. Should airport companies owned by local authorities have the same single objective rather than the multiple objectives specified in the Local Government Act?

The Commission does not appear to have a clear understanding of the ownership and statutory requirements for airports. The Airport Authorities Act contains a similar requirement for the Port Companies Act in that the airports are required to act as commercial undertakings. Refer to additional comments in Part A above.

Q30 What levels of investment have Auckland and Christchurch airports undertaken in international freight, and are they consistent with accessible and efficient services for New Zealand exporters and importers?

Airport investment in its core infrastructure to accommodate growth in aircraft and passengers is the fundamental investment that facilitates the international air freight market. The airports have demonstrated significant and continuous investment in this infrastructure as shown in the table in Part A above.

Any direct investment by the airports to facilitate the processing of international freight is in providing support facilities for the direct participants in the freight market as a landlord. Each of the airports has constructed, or provides, facilities to freight handlers and freight forwarders. In the latter's case they may also secure premises from other landlords within the locale of the airports and this provides a competitive market for the premises they require.

Ongoing investments by the airports in their core infrastructure will therefore benefit the freight market. Investment in specific facilities for freight processing is likely to be subject to demand and commercial agreements reached between the airports and third parties.

Q31 Should the future size and shape of New Zealand air freight services be left to market forces and individual airport owners, or do lumpiness and interdependence (including with investments in connecting parts of the overall supply chain) call for a more deliberately coordinated approach?

Growth in the air freight markets is ultimately determined by the aircraft capacity and international markets serviced by airlines. The growth data provided in the Issues Paper indicates that the airline decisions have supported development of the freight market.

NZ Airports does not believe that any regulated intervention is warranted and in fact it would not be possible to achieve this for the freight market without influence on the passenger markets and fleet

planning decisions made by the airlines. NZ Airports submits there should be less regulation in the aviation sector rather than more.

Q32 What are the most appropriate measures of airport performance in international air freight? Can you assist the Commission by providing data that compares New Zealand airports against others?

NZ Airports and the airports have little or no direct access to data about the international freight market. Any comparison of airports could therefore only relate to the landlord functions that the airports provide and even then there are other third party landlords as well that make comparison of airports problematic.

NZ Airports suggests that the Commission seek information from freight handling agents on the access they have to airport facilities and whether any limitations exist on the effective processing of freight at individual airports. The New Zealand airports do not have access to the data to enable them to consider this or comparison to other airports.

Q33 Are there opportunities to introduce or increase competition in the provision of air freight-related services at airports? Would such competition lead to better outcomes?

NZ Airports supports any prospect of increasing competition between airports. The prospect of this occurring is however dependent on the airlines’:

- Decisions in respect of fleet deployment and routes serviced; and
- Relationships with freight handlers, forwarders or sales agents.

Airports will seek to promote their own regions through their strategies to secure market growth. Any marked change that is achieved in freight capacity would have to be supported by freight demand from within the region around the airport and transport infrastructure to enable local distribution of the freight. Ultimately however airports must convince airlines to provide new services with aircraft that are efficient for the freight, as well as passenger, markets.

NZ Airports does not have sufficient information on the airline operations or prospective consequences for regional infrastructure to comment on whether better outcomes could be derived from greater competition between airports for freight services.

Q34 Is the existing and planned Commerce Commission regulation of airports sufficient to restrain monopoly pricing and induce an efficient level of investment? If not, what should change?

We have commented on the economic regulation of airports in Part B above. There is no evidence that monopoly pricing exists at New Zealand airports and Government specifically determined to retain the AAA price setting provisions in designing the Commerce Act changes.

NZ Airport prices, depicted by average income per passenger, are not high by international standards which are shown in the chart at Attachment 1. chart:

We have also demonstrated in Part A above the significant ongoing investment in infrastructure undertaken by each of the airports.

The new information disclosure requirements will allow the airport outcomes to be considered against several criteria in the Commerce Act, including whether investment is incentivised, and the Commission is required to prepare annual monitoring reports of information disclosure by airports.

It is too early to judge the effectiveness of this regulation given that the first annual performance disclosures are not due until early and mid 2012. The subsequent 2012 review of the effectiveness of the information disclosure regime will provide a forum to consider whether the economic efficiency drivers for the regulation are being achieved.

**Q35 To what extent is the international air freight industry competitive?**

As indicated in the Issues Paper competitiveness on particular routes is a function of the airlines that service the routes with Trans-Tasman markets serviced by a number of carriers and consequently likely to produce competition amongst the carriers.

Downstream from the airlines there is a number of freight forwarding companies which suggests a competitive market however NZ Airports does not have access to any information on these companies.

**Q36 Are there specific air freight routes to or from New Zealand with low levels of competition? Is there evidence of overpricing or poor service levels on these routes?**

Some New Zealand airports consider that their catchment area is presently underserved in terms of freight capacity (e.g. Christchurch capacity to North America which limits options available for access to import and export markets). Low levels of competition may also exist on other routes from New Zealand airports linked in to the current availability of wide-body or passenger services.

**Q37 How do bilateral air services agreements affect the accessibility and efficiency of air freight services available to New Zealand exporters and importers?**

Refer to comments in Part A concerning desirability of a liberal air services policy for New Zealand.

**Q38 What explanations exist for the different treatment of international air freight in the Civil Aviation Act compared with the normal competition requirements of the Commerce Act? Do the objectives of the current regulatory treatment continue to be justified?**

NZ Airports presumes that the historical role of the Civil Aviation Act, and the Ministry of Transport, was derived from the practice of Governments negotiating bilateral air access rights although NZ Airports is uncertain of the direct impact these agreements may have on the carriage of freight. In NZ Airports' view the rationale for such an approach has been surpassed by the liberal air services agreements that have been achieved and the pursuit of airline alliances that directly affect New Zealand.

Air NZ and Qantas sought to form an alliance in the mid 2000's which was ultimately rejected. In Australia the economic benefits of the alliance were considered by the Australian Competition and Consumer Commission while in New Zealand it was considered by the Ministry of Transport. A similar approval process gave consent to the recent alliance between Air NZ and Virgin Blue.

Economic regulators are tasked specifically with considering whether an alliance or arrangement will lessen competition or if the public benefits of an arrangement outweigh the costs. The Civil Aviation

Act does not require the same width of consideration and refers instead to not prejudicing NZ's aviation agreements with other countries and preventing price discrimination. NZ Airports submits that the wider consideration by the economic regulator, the Commerce Commission is the more robust approach and should be the process in New Zealand, as it is Australia.

Q39 Should the regulatory functions in Part 9 of the Civil Aviation Act be the responsibility of the Commerce Commission rather than the Minister of Transport?

Refer response to question 38.

Q40 -45 Commission Regime and Collusive Behaviour

As the airports are not active participants in the air freight market they were not involved in the Commerce Commission investigation of airline pricing behaviour for international air freight services.

NZ Airports considers that the Commerce Commission could provide the most appropriate information in these areas to the Commission. For its part NZ Airports is of the view that the Commerce Commission is the expert party that should be responsible for monitoring any agreements that may potentially affect market competition or include established pricing arrangements (as distinct from unauthorised collusion).

Q46 What are the typical customs and biosecurity costs faced by exporters and importers? How are those costs broken down? Is there scope to reduce them?

NZ Airports cannot comment on the detail of the costs for border security agencies.

Q47 Do New Zealand's customs and biosecurity systems deliver the required outcomes efficiently? What initiatives might improve efficiency and effectiveness?

The airports are open to consideration of changes that may be made at airports to enable border agencies to achieve efficiencies and consequently reduce costs.

We provided examples in our response to question 3 on how this has been achieved for passenger processing.

Q48 Does the World Bank's analysis fit with the experience of importers and exporters? What opportunities are there to eliminate and/or streamline documents? Would this make a material difference in the total cost or speed of the logistics chain?

NZ Airports supports the achievement of best practices in New Zealand. However NZ Airports is also cognisant that New Zealand is a small economy compared to many overseas therefore making it difficult to achieve similar cost economies of scale. The reliance of New Zealand's economy on agriculture and horticulture also means that considerable risks exist to New Zealand's economy if biosecurity management is not high quality. Any comparison of New Zealand performance to best practice internationally must take such factors into account.

In contrast to this New Zealand should be flexible and dynamic in accommodating change over a period of time and seeking to minimise any impediment to New Zealand's international trade. New Zealand's international competitiveness will be best served if New Zealand can adopt processes that are compatible with the efficiencies achieved by other countries.

Q49 Are there any measures that New Zealand could undertake to reduce the security-related costs imposed on exporters and importers?

NZ Airports is unaware of these however as commented earlier the airports are willing to work with the border agencies in seeking to achieve efficiency improvements in both the cost and time of processing international freight.

Q61 Are the time costs associated with international air freight incorporated into current road infrastructure planning? To what extent should they be?

NZ Airports can only presume this is so. The airports master planning processes include discussions with parties such as roading authorities to ensure their long term planning is compatible with that being carried out by the airport and that efficient road networks are provided or planned for airports.

Q62 Do domestic air links work as an effective feeder for international air freight services? What could be improved?

There is no publicly available information on the domestic freight market that NZ Airports is aware of. The domestic air freight market is not however substantial with most freight capacity only available in the jet aircraft that operate between the main centres. It is not evident from observation at airports that considerable volumes of freight are often loaded onto domestic jet aircraft. It is therefore unlikely that domestic air links provide a significant feed into international services.

A significant portion of domestic freight connectivity in New Zealand is in fact undertaken by road, particularly from the lower North Island and South island for further transshipment to overseas destinations owing to the lack of available wide body aircraft capacity from Wellington and Christchurch. Airlines are better placed to provide a more definitive response to the Commission.

Q66 To what extent do formal and informal alliances between airlines improve or detract from the efficiency of international air freight services? Are there opportunities to improve outcomes?

NZ Airports can only comment that where alliances reduce capacity on aviation routes then the prospect for a lack of competitiveness or reduced efficiencies on those routes exists. However, the extent to which the reduced capacity can accommodate freight demand on the routes involved may prevent the negative consequences from occurring.

Again the Commission would have to seek specific information from airlines.

Q67 What measures might improve the overall system efficiency of the logistics chain for international air freight?

NZ Airports cannot identify specific initiatives however reducing cost and in providing transfer times towards the best international practice must produce benefits for all participants in the market.

Q71 Is there a role for government to require the disclosure of performance measures in specific components, and to collate and publish that data?

The new airport information disclosure regime contained in the Commerce Act requires airports to publish considerable performance information. There is no disclosure of information relating specifically to freight services however this is due to the landlord function of airports in the freight

market. For airports to publish information on freight handling they would have to be provided with this from the other commercial parties, be it airlines or freight forwarders and the airlines rejected the need for this during the consultation on the new Commerce Act regime.

Airports preference remains for them to receive market data so they are better informed to assist in ensuring efficient processing of freight at airports and to plan appropriate investment to support market growth.

At present airports could not contribute to the disclosure of any freight performance measures.

**Q73 What is the best way to achieve efficient decisions and coordination for the large, lumpy and interdependent investments that typically occur along international freight supply chains?**

Airports must ultimately invest in developing facilities first and forecast to accommodate expected growth in aircraft movements. The Commerce Act information disclosure regime requires airports to publish their forecast aircraft movements and capital investment plans thus enabling airport investment practices to be externally monitored. This is supplemented by the consultation requirements in the AAA concerning both airport prices and capital expenditure. In the case of airports this provides an effective process for the consideration and disclosure of asset planning and to determine the optimum timing for the periodic lump sum investments that are required. This process ensures that the core airport infrastructure is available for expected changes in aircraft movements, which also facilitates air freight market growth. In the case of airports efficiency would be reduced if another party, without the airport and airline expertise, were added to this process.

It is also not possible for airports to consider investment in freight facilities on a long term basis. Airports do not have access to freight market data or forecasts which would provide the basis for asset planning.

Domestic transport linkages from airports to domestic freight networks are critically important and it is local governments' role to provide these linkages. The airports engage in long term planning discussions with their respective councils however the councils have multiple objectives that mean investments required due to airport related growth are not necessarily prioritised. A centralised forecast of expected market changes, both structure and volume would provide a good source of information for local government and assist them to consider their own future investment requirements.

**Q77 Are you able to contribute data that would assist the Commission?**

The airports can provide the Commission with data on the volume of aircraft movements by route and type of aircraft. Data on actual freight capacities and volumes carried by airlines would need to be sourced from the airlines.

International freight volume data is available from Statistics New Zealand.

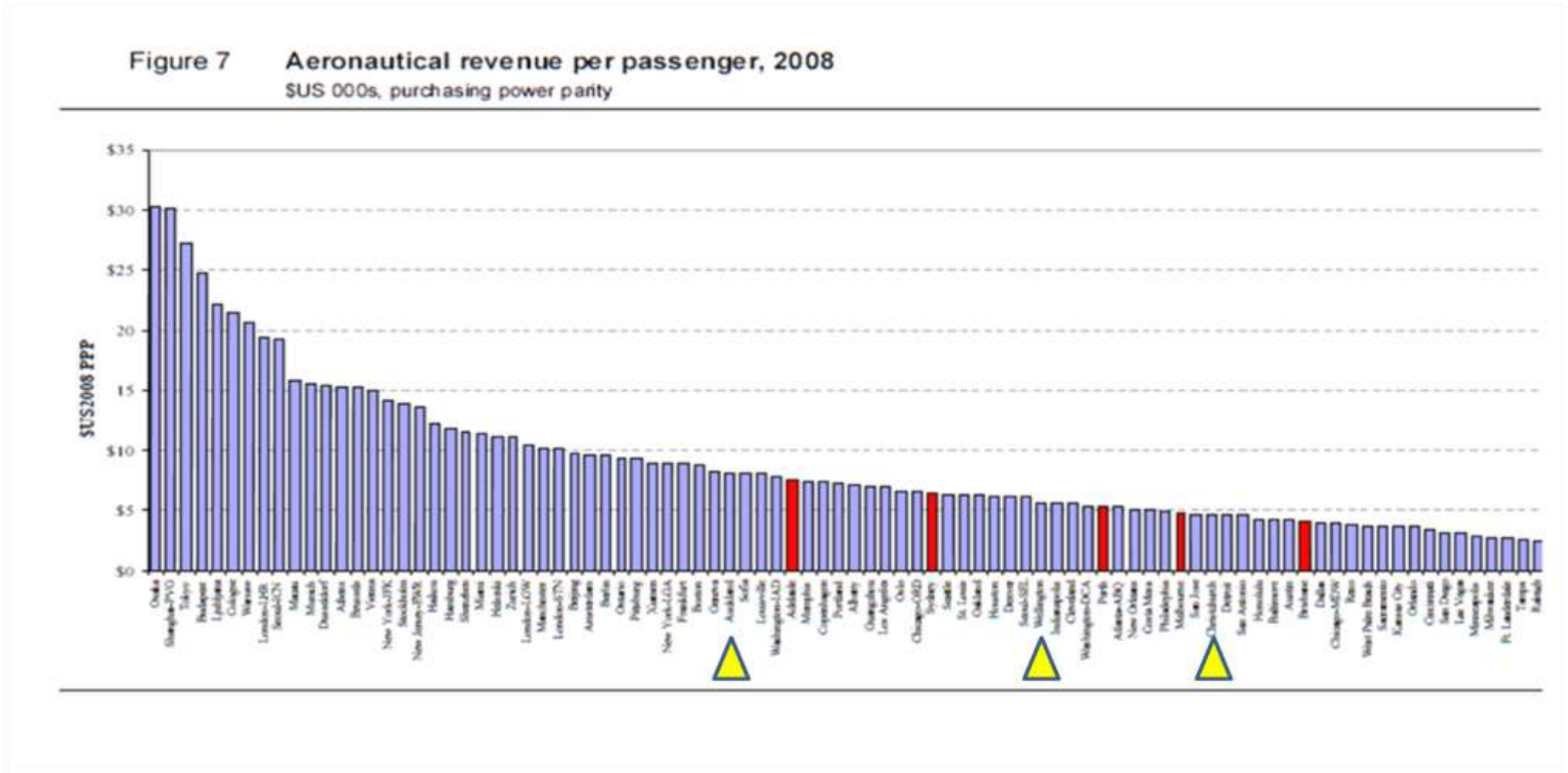
**Q78 Has this issues paper covered the key issues? What other questions need to be asked?**

Refer executive summary.

Q79 What are the most important issues for the Commission to focus on to achieve the greatest improvements in the efficiency and productivity of New Zealand's international freight transport services?

Refer executive summary.

Attachment 1, International Comparison of Airport Revenue (from Aeronautical Activities)



Source: Australian Government Productivity Commission, Economic Regulation of Airport Services, Productivity Commission Draft Report, August 2011, page XXXII