

20 April 2011

Jeffery Bull
Chief Finance & Information Officer
Aviation Security Service
P O Box 2165
Wellington

By email: Jeffery.Bull@avsec.govt.nz

Dear Jeffery

NZ Airports Submission on the 2011 Review of Domestic and International Passenger Security Charges 2011.

Thank you for the opportunity to comment on the Aviation Security Service (Avsec) proposal to review its charges effective from 1 July 2011.

The New Zealand Airports Association (NZ Airports) represents New Zealand's commercial airports, including the seven security designated airports. Our submission is on behalf of our airport members, but is in addition to, and does not replace, any submission made directly to Avsec by an individual airport.

We note that Avsec proposes that charges be lowered for the next two years to \$8.07 GST inc (\$7.02 GST exc) for the international passenger security charge and \$3.71 GST inc (\$3.23 GST exc) for the domestic passenger security charge.

NZ Airports welcomes the responsive approach taken by Avsec in this case. In our view it is appropriate to avoid a repetition of the previous situation where AvSec accumulated substantial windfall surpluses. We agree that Avsec should aim to run down the existing surpluses over a reasonably short period. Airports also consider that, because the volume of air travel is closely related to the associated costs to the traveller (i.e. lower costs mean more travellers), there are considerable advantages to New Zealand overall if the cost of safe air travel is kept to a minimum. We therefore support the proposed adjustment to charges.

We note that there is a degree of financial risk inherent in setting charges based on forecast passenger volumes, but that should not deter Avsec from taking the course it has outlined in the consultation paper. A further review is proposed in two years (30 June 2013) with a somewhat

broader scope and that will be an opportunity to make further adjustments, if necessary, based on recent actual and forecast passenger numbers.

We noted with interest that Avsec has recently developed additional performance indicators to better monitor Avsec's costs, operational efficiency, and memorandum account balances. The consultation paper states that from April 2011 the new performance indicators will be reported by Avsec every six months to the Board of Airline Representatives New Zealand (BARNZ), quarterly to the Ministers of Transport, and monthly to Avsec's management and the Board, and to the Ministry. A number of aspects of Avsec performance are also of interest to airports (with their responsibility for overall airport performance, efficiency and capacity, and keen interest in the overall costs of travel), and we submit that Avsec should also provide performance indicator reports to NZ Airports for the information of airports. Without being familiar with the specific contents of the reports, we suggest that the six monthly report to BARNZ is likely to cover the ground that is also of interest to airports.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kevin Ward', is positioned above the printed name.

Kevin Ward
Chief Executive