Auckland Airport

AKL

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Auckland Airport lowers price increases; Commerce Commission confirms airport investment is reasonable

- **Auckland Airport to discount airline charges for final two years of PSE4, bringing targeted return for FY23-FY27 pricing period to 7.82% - within the range the Commerce Commission found to be reasonable.**
- **Softer traffic volumes and challenging economic conditions indicate returns will be well below this level.**
- **Commerce Commission confirms Auckland Airport's planned investment is reasonable, is in line with other global airports, had cost rigour applied to it, followed an appropriate consultation process, will increase airport resilience, and with investment outcomes that are consistent with a competitive market.**

Auckland Airport said today it will discount its prices for airline passenger charges following the Commerce Commission's final report into Price Setting Event 4 (PSE4), released today.

Over the next two financial years, Auckland Airport will discount per passenger airline charges on an average basis by about \$1.10 for regional travel to \$9.00, \$1.70 for domestic jet travel to \$12.80, and \$4.80 for international travel to \$38.90.[1]

The updated charges, which are for airlines' use of the airfield and other essential airport services, represent a new targeted return of 7.82% (down from 8.73%) overall for PSE4, in line with the range considered reasonable by the Commerce Commission.

Auckland Airport Chief Executive Carrie Hurihanganui said: "We respect the regulator's findings and since receiving[2] an embargoed copy of the report, we have worked to apply price discounts for the remainder of the pricing period. These discounts will bring our prices within the range the Commerce Commission found to be reasonable.

"Auckland Airport carefully balances how we set charges with the need to invest in the future resilience and capacity requirements of New Zealand's gateway airport and one of the country's

[1] Reflects the average of discounted charges per passenger over the final two years of the PSE4 pricing period, financial years 2026 and 2027, rounded to nearest 10 cents.

[2] An embargoed copy of the report was received after the closure of the NZX/ASX markets. As a dual listed entity, AKL requested an advance copy so that it could comply with its continuous disclosure obligations. The Commission's co-operation in this respect was appreciated.

most critical infrastructure assets. To support this, investors require fair returns and a stable regulatory regime.

“In July 2024, following the Commission’s draft report, we said we would discount our charges if the Commission’s final report took a different view on what a reasonable target return for PSE4 was, bearing in mind the challenges involved when incorporating new information about pandemic risk into the weighted average cost of capital (WACC).

“The airport’s decision to discount PSE4 prices demonstrates the regulatory regime working as it’s intended to.

“The Commission’s new approach to WACC is subject to a merits review appeal by all regulated airports and the New Zealand Airports’ Association, due to be heard in July 2025 in the High Court. While Auckland Airport has aligned its PSE4 target return with the Commission's target return range in the final report, the merits review remains important to resolve the differences in views on the best methods for estimating WACC,” she said.

In its final report today, the Commission noted Auckland Airport’s charges will remain at or below other regulated New Zealand airports during PSE4.

“For the first two years to date of PSE4, Auckland Airport’s reported return was 5.53 per cent. We anticipate there will continue to be a significant gap to the targeted return for the remainder of the pricing period.”

Ms Hurihanganui said the airport would take on board feedback from the report on the airport’s approach to PSE5 and PSE6 pricing. This includes considering methods to smooth long-term prices, an issue which had already been discussed with airline customers as part of PSE4 consultation.

Commerce Commission concludes that Auckland Airport’s approach to infrastructure investment and pricing is reasonable on the vast majority of measures.

The Commission’s report said:

“Overall, we consider that Auckland Airport followed appropriate processes and applied rigour in costing the investment plan… the Airport showed that independent reviews on either the whole capital plan, or specific aspects of the plan, was sought on twelve occasions … Auckland Airport considered a wide range of options, including the alternative design provided by Air NZ, and had adequate regard to service quality.”

Ms Hurihanganui said Auckland Airport welcomed the Commission’s final report, calling it important for New Zealand and investment in nationally significant infrastructure.

“New Zealand generally has had a chronic shortage in infrastructure investment for decades, and this clearly isn’t working for Aotearoa. We are really heartened that today the Commission confirmed Auckland Airport is investing at a reasonable level to ensure the future resilience of New Zealand’s gateway airport – one of our country’s most critical infrastructure assets.

“New Zealand is actively seeking foreign investment into infrastructure, and a reasonable rate of return and stable regulatory settings are going to be critical for our country in this endeavour,” she said.

Auckland Airport is currently one of Auckland’s busiest construction sites.

The integrated terminal programme is now 31% advanced and has over 1000 people employed on the project. The airport is also progressing critical airfield upgrades that are essential to the future resilience and safety of the airfield. In about 2030 the runway needs to close temporarily for planned pavement maintenance. The closure is dependent on enlarging a taxiway so it can be used as an alternative runway, as well as the opening of the new domestic jet terminal in 2029, providing domestic jets with a new home to operate from.

“We are pleased the Commission acknowledged the importance of timely investment, particularly the delivery of vital runway and resilience upgrades.

“Airports that we compete with to attract airlines, tourism and freight are all investing at a similar scale to us and New Zealand cannot afford to fall behind. Major Australian airports have also announced investment plans that for each individual airport are worth over $5 billion AUD (~$5.5b NZD).

Today’s report also commented on the interests of airlines, highlighting that while they are a key customer group they do not always represent the views of other airport customers such as passengers, and that airline interests may not always be aligned.

“That is why we have a regulatory regime designed to allow airports to invest in assets that serve the long-term interests of consumers. Increased capacity is a good example of this. Airlines may not support it, but it’s good for passengers because it enables more airline competition which puts downward pressure on airfares.

“We are also pleased the Commission recognised our consultation approach was appropriate. A huge amount of effort goes into major capital decisions, including understanding the long-term needs of customers and recognising that all of our decisions will be heavily scrutinised by the Commission,” Ms Hurihanganui said.

Auckland Airport is New Zealand’s largest airport and third largest goods port by value, with $26.6 billion of New Zealand’s trade flowing through the precinct, set to grow to $41.1bn by 2032.

Auckland Airport’s new domestic jet terminal will deliver 26% more domestic seat capacity, 44% more processing capacity, and open the door to more competition in the domestic aviation sector, which is currently one of the least competitive in the world.

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Notes to editor –

- Unlike airlines who don’t face any form of economic regulation, major airports in New Zealand are regulated by New Zealand’s competition watchdog, the Commerce Commission.
- Auckland, Wellington and Christchurch Airports are subject to information disclosure regulation by the Commerce Commission, providing transparency about airport pricing, spending decisions and performance.
- Auckland Airport re-sets its aeronautical prices every five years, a process that includes consultation with major airline customers.
- After Auckland Airport sets its aeronautical prices, the Commerce Commission reviews the pricing and investment decisions and publicly releases a report setting out its findings.

- The impact of the pandemic on passenger demand resulted in investment returns for all of PSE3 falling to 3.14%, less than half of the returns forecast for that five-year period. Auckland Airport has not sought to recover any of the pandemic induced losses from PSE3 in its latest pricing decision.
- While the Commission's review takes place after decisions are made, the regulatory process and Commission's careful scrutiny of decisions ensures significant discipline on Auckland Airport's decision-making process. The Commerce Commission final report today relates to the 2022-2027 Pricing Period, PSE4.
- In 2019, Auckland Airport lowered airline charges following feedback from the Commission, as part of Price Setting Event 3 (2017 to 2022). This included the airport reducing its target return from 6.99% to 6.62%.
- Auckland Airport charges have historically been 40-50% lower than comparable airports. Current charges for FY25 are $8.14 for regional, $11.75 for domestic jet and $36.70 for international
- Table of comparable regulated airport charges in New Zealand:

$ / per passenger charges (2-yr average FY26-27)	Regional	Domestic Jet	International
AKL - discounted	$9.00	$12.80	$38.90
Regulated airport #2	$17.60	$24.90	$34.90
Regulated airport #3	$10.10	$14.90	$14.90

Rounded to nearest 10 cents

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