



**Media release April 26, 2018**

## **Airlines want airport shareholders to shoulder fair share**

Auckland Airport (AIA) should stop using airlines as a bank and reinvest some of their shareholder dividends into their \$1.8b capital build programme.

That's the response from Justin Tighe-Umbers, executive director of the Board of Airlines Representatives New Zealand (BARNZ), to the Commerce Commission's just released review of AIA's proposed charges for the next five years.

The Commerce Commission has said it is concerned AIA's profits may be too high and are yet to be convinced as to why the airport is charging an extra \$65m over five years. It does not believe that the airport has sufficiently justified these returns.

"Auckland airport is undertaking the largest build programme in its history, yet shareholders are not being asked to make any contribution by forgoing dividends." Tighe-Umbers says. "Instead the airport is maintaining its dividend policy to pay 100% of underlying net profit after tax to shareholders, and asking airlines and passengers to pay an extra \$115m over the next five years."

He points out that the airport's own policy also says its directors may consider the payment of ordinary dividends below this level, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time.

"BARNZ says now is that time. Our members should not be having to pay an extra \$115 million in fees, including \$50m for a future runway they can't use for nearly 10 years. It's a question of what is fair. We believe the airport should be getting shareholders to contribute with their fair share as they are the ultimate beneficiaries of the investment. After all AIA's underlying profit after tax increased 7.8% to \$133.1 million for the six months to December 31, 2017.

"That's \$133 million in six months paid out in dividends. That means just a portion of the airport's dividends would soon give AIA the \$115 million extra it wants airlines to bankroll over the next five

years. The airport's pricing simply creates a straight wealth transfer from consumers to the airport, as it ultimately impacts on people buying air tickets."

The Commerce Commission puts New Zealand's major airports' pricing under the microscope for the reasonableness of the airports' target returns, forecast capital and operating spending, and the efficiency of pricing.

However, New Zealand's light-handed regulatory regime means the commission is unable to impose limits on what airports seek from airlines. It can only comment on whether the airport is acting fairly when it comes to charging users.

BARNZ has always said because the airports are monopolies their charging regimes should be subject to more regulatory control.

"This behaviour is exactly why airport regulation needs to be tighter, and the Commerce Amendment Bill is a critical first step towards achieving that."

Tighe-Umbers says BARNZ will be reiterating that point in its submission to the Commerce Amendment Bill currently going through Parliament.

Commerce Minister Kris Faafoi is proposing amendments to the Commerce Act that will improve the effectiveness of the regulatory regime for major airports by giving the Commission more explicit powers to conduct inquiries and recommend stronger regulation to the Minister. The amendments follow a review carried out by the Ministry of Business, Innovation and Employment (MBIE).

Ends

**For more information contact:**

Justin Tighe-Umbers  
Executive Director  
BARNZ  
Tel: 09 358 0696  
Mob: 027 268 4053

**About BARNZ:**

The Board of Airline Representatives New Zealand Inc (BARNZ) is an incorporated society representing the interests of its member airlines, which operate scheduled international and domestic services.

Its members are:

*Air Calin*

*Air New Zealand (Group)*

*Air Tahiti Nui*

*American Airlines*

*China Airlines*

*China Southern*

*Fiji Airways*

*Hong Kong Airlines*

*Korean Air*

*Malaysia Airlines*

*Philippine Airlines*

*Qatar Airlines*

*Singapore Airlines*

*Thai Airways International*

*United Airlines*

*Air China*

*Airwork*

*Air Vanuatu*

*Cathay Pacific Airways*

*China Eastern Airlines*

*Emirates*

*Hainan Airlines*

*Jetstar*

*LAN Airlines*

*Menzies Aviation (associate)*

*Qantas Airways*

*Sichuan Airlines*

*Tasman Cargo Airlines*

*Tianjin Airlines*

*Virgin Australia*