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The Development and Performance of Airports in New Zealand as Commercial Entities.

A thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy at Massey University by David Keith Lyon. October 2011.

Abstract

This investigation sets out to identify what commercialisation has meant within a New Zealand airport context and how the requirements of the Airport Authorities Act 1966 have been achieved. Section 4 (3) of the Airport Authorities Act 1966 states that “[e]very airport operated or managed by an airport authority must be operated or managed as a commercial undertaking.” No definition of what commercial, managed or operated means is provided within the Act.

This objective will be achieved by initially outlining the developments of airports in New Zealand from the end of World War I until 1985, discussing the drive to commercialise them from 1985; providing a contemporary management perspective of managers within some of those airports; considering case studies of the largest seven airports in New Zealand, and analysing the sum of these seven companies for the first 20 years. The thesis concludes with a discussion of the commercialisation that has occurred.

Since the mid-1980s the airport industry in New Zealand has been substantially reformed. This occurred as part of the public sector reforms during the 15 year period from 1984 and was intended to decrease the role of central government in business activities and to foster a more commercial perspective to various sectors. These developments can be traced back to the fourth Labour Government that came into power in 1984 and instigated wide ranging economic reforms.

In terms of the management and operation of airports within New Zealand a major policy development occurred in 1985 when the Minister of Civil Aviation announced airports, owned at that time as joint ventures by both local and central government, would be encouraged to become limited liability companies. This commercialisation of the principal airports subsequently took place during a three year period from 1998-1990 (Minister of Civil Aviation and Meteorological Services, 1985).

Following to this commercialisation the ownership of these companies has undergone significant change to include private and institutional shareholding. In some instances central government no longer has any equity in major New Zealand airports, such as Auckland and Wellington, but local government ownership has increased.

There is currently no clear and articulated national airport policy within New Zealand. Since the initial commercialisation, and subsequent partial privatisation in some cases, the major airport companies have largely chosen their own paths to follow in terms of how they develop individually as commercial entities. A consequence of the ability of the airport companies to develop as businesses in the absence of price regulation

has been of increasing concern to airlines, wary that airport companies may be abusing their position as monopoly providers in particular regions, in terms of charges imposed upon airline users. These concerns resulted in the New Zealand Commerce Commission completing a study in August 2002, that had earlier been initiated in 1998, regarding the need, or otherwise to regulate airports. The Commerce Commission (2002) in its report recommended price regulation at Auckland Airport but did not state the form that such regulation should take. This recommendation has not subsequently been implemented by central government. However during the life of the study, the government implemented a set of Disclosure Regulations that applied to companies earning more than \$10 million per financial year. Later in 2007 the government announced that it was commencing a study into ways in which the aeronautical charges levied by the major airport companies could be controlled via new provisions in the Commerce Act 1986. It is not anticipated that any such changes to the existing legislation will come into effect before 2012.

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Table of Contents

Abstract	i
Acknowledgements	iii
Table of Contents	iv
Tables	xiii
Figures	xiv
Chapter 1 - Overview of thesis	1
1.1 Introduction to the study	1
1.2 Background	1
1.3 Problem statement	2
1.4 Research context	3
1.5 Measures of success of commercialisation	4
1.6 Background of the researcher.....	5
1.7 Reflections on how this may have influenced my approach and findings	6
1.8 Structure of the thesis.....	7
Chapter 2 – Methods	8
2.1 Research methodology	8
2.2 The methods used.....	9
2.3 Ethical issues.....	10
2.4 Chapters that comprise the study	12
Chapter 3 – Public sector reform in New Zealand	17
3.1 Introduction.....	17
3.2 The development of the modern public service	19

3.3	Changing public sector management	23
3.4	Rapid changes to the public service 1984-1994.....	25
3.5	New public management.....	28
3.6	A change of government but continuing reforms.....	32
3.7	Political reform and mixed member proportional representation.....	33
3.8	Slower paced evolutionary change 1994-2008	34
3.9	Review of the public sector reforms	36
3.10	Reflecting on the reforms 1999-2008.....	36
3.11	Summary	39
	Chapter 4 - A history of the development of New Zealand airports from 1918 to 1985	40
4.1	Introduction.....	40
4.2	Developments from 1918.....	40
4.3	The first aviation companies	41
4.4	Developments post World War II	48
4.5	The joint venture airport scheme.....	53
4.6	The Airport Authorities Act 1966.....	58
4.7	Summary	61
	Chapter 5 - Airport commercialisation in New Zealand	62
5.1	Introduction.....	62
5.2	The traditional view of New Zealand airports.....	62
5.3	Why the purpose and role of airports has changed.....	63
5.4	The economic deregulation of airlines in the United States of America	65
5.5	A contrast between airport development in New Zealand and the United States of America.....	65
5.6	A comparison between airport development in New Zealand and the United Kingdom	66
5.7	The nature of airport commercialisation	68

5.8	The size of the airport industry	69
5.9	Airport privatisation as one means of commercialising airports	70
5.10	Funding airport development	72
5.11	The perceived need to regulate airports	73
5.12	The political climate that led to the commercialisation of major airports in New Zealand.....	75
5.13	The Airport Authorities Amendment Bill 1986	80
5.14	The perceived need to control airport companies.....	85
5.15	Summary	92
Chapter 6 - Organisation, ownership, governance and management of the airport system in New Zealand		95
6.1	Introduction.....	95
6.2	Distribution and capability of New Zealand airports.	95
6.3	Corporatisation of New Zealand airports	98
6.4	Ownership of New Zealand airports	99
6.5	New Zealand international airports	100
6.5.1	Auckland	100
6.5.2	Hamilton.....	101
6.5.3	Rotorua.....	101
6.5.4	Palmerston North.....	102
6.5.5	Wellington.....	102
6.5.6	Christchurch	102
6.5.7	Dunedin	102
6.5.8	Queenstown.....	103
6.6	Airports neither international nor joint venture.....	103

6.7	Joint venture airports.....	104
6.7.1	Limitations and opportunities of joint venture airports	105
6.7.2	Hawke’s Bay Airport	107
6.7.3	New Plymouth Airport	109
6.7.4	Potential for mixed objectives of joint venture airports	111
6.7.5	Discussion as to the future of joint venture airports within New Zealand.....	111
6.8	New Zealand transport policy – 2002 onwards.....	112
6.9	Does New Zealand need a more comprehensive airport strategy?.....	113
6.9.1	Canadian national airports policy.....	114
6.9.2	Australian national aviation policy.....	115
6.10	Summary	117
	Chapter 7 - A management perspective	119
	7.1 Introduction.....	119
7.2	Research process	119
7.3	Individual interviews with managers	120
7.4	Analysis of individual interview transcripts.....	121
7.5	Conducting the focus group.	121
7.6	A discussion of the agreed set of propositions	122
7.7	Summary	147
	Chapter 8 - Case studies of the commercialisation of seven airport companies in New Zealand	149
8.1	Introduction.....	149
8.2	Auckland Airport – Case Study	150
	NZAA Airport layout chart.....	150

8.2.1	Brief history	150
8.2.2	Ownership and governance/management structure - 2008.....	151
8.2.3	Output and efficiency analysis	153
8.2.4	Financial performance for the first 20 years since corporatisation.....	157
8.2.5	Analysis and discussion of annual reports.....	158
8.2.6	Summary	169
8.3	Hamilton Airport – Case Study	170
	NZHN Airport layout chart.....	170
8.3.1	Brief history	171
8.3.2	Current ownership and management structure	171
8.3.3	Output and efficiency analysis	172
8.3.4	Financial performance for the first 19 years since corporatisation.....	176
8.3.5	Analysis and discussion of annual reports.....	177
8.3.6	Summary	182
8.4	Palmerston North Airport – Case Study.....	184
	NZPM Airport layout chart.....	184
8.4.1	Brief history	185
8.4.2	Current ownership and governance/management structure.....	185
8.4.3	Output and efficiency analysis	185
8.4.4	Financial performance for the first 19 years since corporatisation.....	189
8.4.5	Analysis and discussion of annual reports.....	190

8.4.6	Summary	197
8.5	Wellington Airport – Case Study	199
	NZWN Airport layout chart	199
8.5.1	Brief history	200
8.5.2	Current ownership and governance/management structure	200
8.5.3	Output and efficiency analysis	200
8.5.4	Financial performance for the first 18 years since corporatisation	205
8.5.5	Analysis and discussion of annual reports.....	206
8.5.6	Summary	210
8.6	Christchurch Airport – Case Study	211
	NZCH Airport layout chart	211
8.6.1	Brief history	212
8.6.2	Current ownership and management/governance structure.....	212
8.6.3	Output and efficiency measures	213
8.6.4	Financial performance for the first 20 years since corporatisation.....	217
8.6.5	Analysis and discussion of annual reports.....	218
8.6.6	Summary	226
8.7	Dunedin Airport – Case Study	228
	NZDN Map	228
8.7.1	Brief history	229
8.7.2	Current ownership and management/governance structure.....	229

8.7.3	Output and efficiency analysis	229
8.7.4	Financial performance for the first 19 years since corporatisation.....	233
8.7.5	Analysis and discussion of annual reports.....	234
8.7.6	Summary	240
8.8	Queenstown Airport – Case Study	241
	NZQN Airport layout chart.....	241
8.8.1	Brief history	242
8.8.2	Current ownership and management/governance structure.....	242
8.8.3	Output and efficiency analysis	242
8.8.4	Financial performance for the first 18 years since corporatisation.....	245
8.8.5	Analysis and discussion of annual reports.....	246
8.8.6	Summary	251
Chapter 9 - Analysis of the performance of the New Zealand airport industry since commercialisation, and conclusions as to the success of this policy.....		252
9.1	Chapter Overview	252
Part One. The performance of the industry		252
9.2	Output and efficiency analysis	253
9.2.1	Aircraft movements.....	253
9.2.2	Passenger numbers	254
9.2.3	Airfreight.....	256
9.2.4	Workload units	256
9.2.5	Employee numbers.....	258

9.2.6	Workload outputs per employee.....	258
9.2.7	Summary of output and efficiency measures	259
9.3	Analysis of aggregated financial performance.....	259
9.3.1	Summary of financial performance	266
Part Two - Conclusions and Recommendations		266
9.4	Conclusions.....	267
9.5	Recommendations.....	269
9.6	Limitations of the study	270
9.7	Future research.....	270
Bibliography		272
Glossary of Terms		283
Appendix A		285
	Questions and propositions	285
Appendix B		296
Aircraft Movement Table.....		296
Appendix C		297
Passengers per Aircraft Movement Table		297
Appendix D		298
Workload Unit Table.....		298
Appendix E		299
Financial Data Table - Auckland.....		299
Appendix F		300

Financial Data Table – Hamilton.....	300
Appendix G.....	301
Financial Data Table – Palmerston North	301
Appendix H.....	302
Financial Data Table – Wellington.....	302
Appendix I	303
Financial Data Table – Christchurch.....	303
Appendix J.....	304
Financial Data Table – Dunedin	304
Appendix K.....	305
Financial Data Table – Queenstown.....	305
Appendix L	306
Employees per Airport Table.....	306
Appendix M	307
Revenue Sources Table.....	307
Appendix N	308
Inflation Data	308
Appendix O.....	309
Appendix P	310
Appendix Q.....	315
Appendix R	316

Tables

6.1	New Zealand International Airports	97
6.2	Ownership of International Airports.....	100
6.3	Neither International nor Joint Venture Airports with Scheduled Domestic Services	104
6.4	Joint Venture Airports	105
6.5	Runway Dimensions of Joint Venture Airports.....	107
8.1	Shareholding in Auckland Airport at Incorporation in 1988.....	152
8.2	Shareholding in Auckland Airport at 1 August 2008	152
8.3	Shareholding of NZCSD in Auckland Airport at 1 August 2008.....	152
8.4	Ownership of Hamilton Airport at Incorporation in 1989.....	171
8.5	Ownership of Hamilton Airport at 30 June 2008	171

Figures

3.1	Conceptual Framework for Analysis.....	18
6.1	New Zealand Airport System.....	96
8.1	NZAA Total Passengers.....	154
8.2	NZAA Total Airfreight (Tonnes).....	154
8.3	NZAA Total Workload Units.....	155
8.4	NZAA Employees.....	155
8.5	NZAA Workload Units per Employee.....	156
8.6	NZAA Revenue Sources.....	156
8.7	NZAA Inflation Adjusted Financial Performance Indicators.....	158
8.8	NZHN Total Passengers.....	173
8.9	NZHN Total Airfreight (Tonnes).....	173
8.10	NZHN Total Workload Units.....	174
8.11	NZHN Employees.....	174
8.12	NZHN Workload Units per Employee.....	175
8.13	NZHN Revenue Sources.....	175
8.14	NZHN Inflation Adjusted Financial Performance Indicators.....	176
8.15	NZPM Total Passengers.....	187
8.16	NZPM Total Workload Units.....	187
8.17	NZPM Employees.....	188
8.18	NZPM Workload Units per Employee.....	188

8.19	NZPM Revenue Sources	189
8.20	NZPM Inflation Adjusted Financial Performance Indicators.....	190
8.21	NZWN Total Passengers	202
8.22	NZWN Total Airfreight (Tonnes).....	202
8.23	NZWN Total Workload Units.....	203
8.24	NZWN Employees	203
8.25	NZWN Workload Units per Employee	204
8.26	NZWN Revenue Sources	204
8.27	NZWN Inflation Adjusted Financial Performance Indicators.....	206
8.28	NZCH Total Passengers.....	214
8.29	Total Airfreight (Tonnes).....	214
8.30	Total Workload Units.....	215
8.31	NZCH Employees	215
8.32	NZCH Workload Units per Employee	216
8.33	NZCH Revenue Sources	216
8.34	NZCH Inflation Adjusted Financial Performance Indicators	218
8.35	NZDN Total Passengers.....	230
8.36	NZDN Total Workload Units	231
8.37	NZDN Employees.....	231
8.38	NZDN Workload Units per Employee	232
8.39	NZDN Revenue Sources	232

8.40	NZDN Inflation Adjusted Financial Performance Indicators.....	234
8.41	NZQN Total Passengers.....	243
8.42	NZQN Total Workload Units.....	243
8.43	NZQN Employees.....	244
8.44	NZQN Workload Units per Employee.....	244
8.45	NZQN Revenue Sources.....	245
8.46	NZQN Inflation Adjusted Financial Performance Indicators.....	246
9.1	Total Major Airports Aircraft Movements.....	254
9.2	Total Major Airports Domestic Passengers.....	255
9.3	Total Major Airports International Passengers.....	256
9.4	Airfreight (Tonnes).....	257
9.5	Workload Units.....	257
9.6	Number of Employees.....	258
9.7	Workload Units per Employee.....	259
9.8	Inflation Adjusted Total Major Airports Financial Performance Indicators.....	262
9.9	Inflation Adjusted Total Major Airports Assets and Equity.....	263
9.10	Shareholders Equity Ratio – Major Airport Average.....	263
9.11	Return on Equity – Major Airports Total.....	264
9.12	Net Profit Margin – Major Airports Total.....	264
9.13	Return on Assets – Major Airports Total.....	265
9.14	Total Major Airport Revenue by Source.....	265