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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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