Runway project wrong focus for Wellington

Plans to extend Wellington Airport’s runway do not stack up in economic terms says Board of Airline Representatives New Zealand (BARNZ) executive director John Beckett.

New reports on the project to enable landing by long haul aircraft from some Asian cities, Dubai and Los Angeles raise serious questions about the likely benefits.

“BARNZ pointed out earlier last year that a benefit to cost ratio (BCR) analysis had not been provided as would have been expected for a project like this,” Mr Beckett says. “Once that analysis was done, BARNZ commissioned the New Zealand Institute of Economic Research (NZIER) to analyse it together with the forecasting for new flights that needed a longer runway. The NZIER reports show the extension would simply be a wasteful project from a national perspective.”

First, NZIER concludes the InterVISTAS flight forecasts are seriously overstated. While InterVISTAS pointed to the potential for five direct long haul flights (Singapore, Hong Kong, Los Angeles, Kuala Lumpur and Bangkok), NZIER says the only one with any prospect of being viable is to Singapore.

That route is now covered, via Canberra, by Singapore Airlines using an aircraft that doesn’t need the longer runway. BARNZ is not aware of any carrier that has indicated a serious interest in flying a direct long haul service to Wellington.

Second, NZIER points to a number of technical errors in the economic analysis completed for Wellington Airport.

“When adjustments are made for these errors and for serious over-forecasting of volumes, the costs outweigh the benefits of extending the runway even in a most likely case,” Mr Beckett says. “If the runway is built without a carrier, then the costs remain, but the benefits are even lower.

“The risks for the Wellington region from building the runway are very real” he says.

However, he says it is clear why Wellington Airport is so keen to extend the runway.
“Under current regulation the airport company, which is 66% privately owned, can seek public money to build the runway, include it in the company’s asset base, and then recover the cost from existing users of the airport — even if they pleaded for the runway to not be built,” Mr Beckett says.

“New Zealand’s benign regulation enables the airport to overcharge travellers on existing services, increasing costs by about $9 each way for the average traveller. The airport could also profit further from its retail, car-parking and taxi activities.”

BARNZ is calling on the airport’s shareholders to stop pursuing public subsidies and instead concentrate on providing efficient airport services for Wellington, enabling the city to be well connected at a reasonable cost to travellers. BARNZ members would like to work with the airport to that end.

“We believe both travellers and the ratepayers in Wellington City, the Hutt, Porirua, Kapiti Coast, Masterton, Carterton and South Wairarapa, would be thankful for that,” Mr Beckett says.

Ends

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 to and within New Zealand.

Its members are:
Air New Zealand, Qantas, Jetstar, Virgin Australia, Emirates, Singapore Airlines, LAN Airlines, Cathay Pacific, China Southern, China Airlines, Malaysia Airlines, Korean Air, Thai Airways, Fiji Airways, Air TahitiNui, Aircalin, Tasman Cargo Airlines, Air Vanuatu, Menzies Aviation, Fieldair and Airwork.

For more information contact:
John Beckett
Executive Director of BARNZ
Mobile: 021 494 794
Bus: 09 358 0696
Email: john@barnz.org.nz
Website: www.barnz.org.nz

Copies of the BARNZ submission to Wellington Airport and the NZIER reports are attached