

15 February 2019

Local Government Funding and Financing Inquiry
New Zealand Productivity Commission
Wellington

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Auckland Airport's feedback on the Productivity Commission's inquiry on local government funding and financing

1. As a major infrastructure provider and landowner in the Auckland region, Auckland Airport is well placed to comment on many aspects of the Productivity Commission's inquiry into local government funding and financing. Auckland Airport funds the construction and ongoing maintenance of infrastructure within the Airport Precinct, including roading and stormwater infrastructure. We also own and develop land, which attracts rates and development contributions payable to Auckland Council.
2. Auckland Airport supports the Productivity Commission's inquiry into local government funding and financing and welcomes the opportunity to participate in this consultation.

Overview of Auckland Airport

3. While physically located in Auckland, the Airport is New Zealand's major gateway to the world and provides important connections between our cities and regions. We also have a strong interest in ensuring that New Zealand is well set up to benefit from and cater for sustainable tourism growth, including having the right infrastructure and amenities in place. We therefore have an interest in ensuring that local government is successful, not only in Auckland, but across the country.
4. We take our responsibility as one of New Zealand's major infrastructure assets seriously, and we are conscious that the capacity and quality of our facilities directly impacts our airline and cargo customers, passengers, visitors and, as such, the wider regional and national economies.
5. Auckland Airport has entered a period of significant privately funded infrastructure investment. Our 2044 Masterplan involves material upgrades and expansions to our aeronautical operations (including a second runway and new domestic terminal) as well as to the supporting ground transport and utilities infrastructure owned, operated and maintained by the Airport within the Airport Precinct (1500ha). Over the next five years, the Airport will be investing approximately \$2 billion in our core aeronautical infrastructure as part of the next stage of implementing our Masterplan. This includes more than \$100 million on our ground transport and roading network.
6. Auckland Council is a significant shareholder of the Airport (approximately 22%) and receives dividends from Auckland Airport which contributes to its funding base.



Feedback on the Issue Paper

7. Auckland Airport supports the Productivity Commission's inquiry. In particular, Auckland Airport:
 - a. agrees that solutions to address existing council funding shortfalls and the design of future funding tools will need to recognise that not all councils are the same, nor do they have the same pressures and issues.
 - b. supports mechanisms to increase the efficiency and value for money of council expenditure.
 - c. considers that greater central government input would improve efficient and effective infrastructure delivery in some cases.
 - d. agrees that there needs to be equity and fairness with any funding approach.
8. These matters are expanded below.

Differing circumstances across local authorities

9. Auckland Airport agrees that the Commission should be “mindful of the need to consider a range of circumstances across local authorities”.¹ The Issues Paper identifies various factors that impact on an individual council's ability to fund activities and services (eg size, population growth or decline, and other relevant issues like tourism growth).
10. Auckland Airport agrees that “the unique case of Auckland” should be recognised. Auckland faces significant growth challenges. We endorse the observation that “failing to effectively address these challenges has indirect (and material) effects on the prosperity of the wider New Zealand economy”.² We support central government's continued work with Auckland Council to address growth related issues such as transport.
11. Auckland Airport has also experienced significant growth with annual passenger numbers increasing from 14 million to 20 million between 2014 and 2020. In addition, the Airport Precinct and its surrounds are home to over 800 businesses and some 35,800 full time equivalent workers. We therefore support a workforce that is greater than the population served by some councils.
12. As mentioned above, Auckland Airport is entering a period of significant infrastructure investment that will provide a regional and national public benefit. Our ongoing investment is able to complement Council's own investment, provided that the Council's infrastructure investment processes and the services it provides are efficient and effective.

¹ Issues paper, page 1

² Issues paper, page 8



Support mechanisms to increase efficiency/value for money with Council expenditure

13. Auckland Airport agrees that different issues arise in different regions; however, we do consider that efficiencies could be achieved with greater central government input. Tourism is one such area.
14. The Issues Paper identifies funding tourism as a particular pressure point for some councils. As the primary gateway for visitors to New Zealand, and a key part of New Zealand's domestic transport network, Auckland Airport is strongly invested in ensuring that infrastructure is in place to support tourism growth.
15. We support both the tourism industry and operators to promote New Zealand as an all-year-round destination for international and domestic visitors and firmly believe that tourism offers significant benefits to all New Zealanders. The domestic and regional aviation network provides significant opportunities to distribute the benefits of that economic growth throughout the country in an inclusive and valuable way.
16. Recently we provided feedback on the government's draft tourism strategy³ and commented that it would benefit from further discussion of the role of central government in planning and investing in critical capacity and infrastructure to support tourism growth. The execution of this role should be driven by credible analysis and data to show the genuine areas of need. It should also consider the foundation infrastructure and amenities required to support a quality New Zealand tourism product (eg toilets, parking, transport, roading, wayfinding etc) and help regions and communities attract and cater for visitors in a sustainable way.
17. Relevant central government revenue and funding tools should also be reflected as the Productivity Commission is considering the optimum funding structures for local government. For example, GST collected through tourism expenditure is an efficient and equitable revenue tool that provides central government with the ability to reinvest in those areas of need and to support local communities to deliver the infrastructure required to cater for tourism growth (which ultimately benefits the entire country). It may also be helpful to consider the interaction between longer-term funding mechanisms and shorter-term funding mechanisms such as the Provincial Growth Fund and Tourism Infrastructure Fund that can be used to provide additional near-term support – to ensure that central government funding is allocated in a strategic and coordinated manner.

Supports equity and fairness with any funding approach

18. The Issues Paper notes a significant portion of councils' expenditure is attributable to roading and transport. As noted above, Auckland Airport is a significant provider/funder of infrastructure within the Airport Precinct (aeronautical, roading and land-based transport, cargo, and other utility infrastructure). It also supports tourism facilities and promotion which provides a regional and national benefit.
19. Auckland Airport does not receive any public funding (eg from the Land Transport Management Fund); however, it does contribute to Auckland Council through shareholder dividends (estimated at \$55m in 2017), rates (estimated at \$10m in 2017) and, to date, has also been levied standard commercial development contributions.



20. Given the significant private investment it undertakes, it is important to Auckland Airport that any funding and financing tools used by councils are fair and equitable. If rates and development contributions are charged in an unfair or disproportionate way, it effectively diverts funding away from other necessary infrastructure investment.

Summary

21. Overall, Auckland Airport supports the Productivity Commission's inquiry into local government funding and financing. Auckland Airport is available to discuss the above feedback to inform the Commission's draft report due in mid-2019.

Yours sincerely,

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