

Market Release | 17 March 2023

Building the gateway New Zealand needs: Multi-billion-dollar investment in future of travel at Auckland Airport

- Replacement of 57-year-old domestic terminal confirmed
- Single biggest redevelopment since the airport opened in 1966
- Domestic and international travel to be housed under one roof
- Resilient and built to meet climate change goals and to create a more sustainable airport
- 2,000 additional jobs created at the height of construction

Auckland Airport is underway with its biggest redevelopment since the airport opened in 1966 with a brand-new domestic terminal to be fully integrated into the international terminal.

“This is a major investment for Auckland Airport, one which we have been working towards for many years,” said Patrick Strange, Auckland Airport’s Chair.

“The domestic terminal is almost 60 years old and needs replacing. It’s nearing capacity and it’s no longer fit for purpose and hasn’t been for some time. If it wasn’t for the pandemic, we would already be well underway with its replacement.”

Auckland Airport has been consulting with its major airline customers since May 2011 on a replacement for the ageing domestic terminal and plans to build an integrated terminal. Over that time 21 concept designs have been developed by Auckland Airport and discussed with major airlines as part of the consultation process.

“We have worked with major airlines for over a decade on this. We’ve considered all feedback, including potential alternative locations and even further delays to infrastructure development. All of this has been carefully thought through and we have made changes where appropriate, but now we need to get on with it,” Mr Strange said.

“Every dollar we spend on this infrastructure will serve travellers, airlines and New Zealand well into the future.

“It will ensure New Zealand’s main gateway is resilient and sustainable, supporting airline ambitions for a low-carbon future and strengthening our infrastructure in the face of increasingly severe weather events due to climate change.”

Following an earlier decision in 2019, the Auckland Airport Board today reaffirmed its commitment to the integration of domestic and international travel, giving approval for the project to move into the final stages of design as part of a circa \$3.9b¹ construction programme to take place over the next five to six years (this includes the circa \$2.2b combined terminal plus a number of other key projects associated with that development).

The terminal integration programme – a significant part of the airport’s wider 10-year-capital programme – will bring domestic travel and international travel together under the same roof for the first time since 1977, via an expansion at the eastern end of the existing international terminal building.

The integration programme is also an important enabler in allowing Auckland Airport to carry out key upgrades on the airfield to ensure the airport remains resilient.

“This is all about building the gateway Auckland and New Zealand need,” said Carrie Hurihanganui, Auckland Airport’s Chief Executive.

“A new domestic terminal integrated into the international terminal will make Auckland Airport fit for the future, providing a much-improved experience for travellers – something they’ve clearly and repeatedly told us they want.

“They’re asking for a domestic facility that offers modern spaces, efficient passenger processing areas, improved bathroom facilities and faster baggage systems, as well as better connections between domestic and international travel and via public transport and the city.

“In short, renovations just won’t cut it anymore,” Ms Hurihanganui said.

Set to open between 2028 and 2029, the combined terminal will serve the larger and more efficient domestic jet aircraft flying to and from Auckland to New Zealand’s other

¹ \$3.9b includes forecast construction cost escalation and holding costs for the domestic processor and associated consequential infrastructure projects

main centres, alongside international operations.

“It will make travel easier and faster, cutting domestic jet to international transfer times to a five-minute indoor walk. A new check-in experience will provide state-of-the-art facilities for both domestic and international travellers, including the ability to check in and store your bag at any time throughout the day.

“Smart baggage systems will save time and reduce stress at either end of a flight. There will be faster links to public transport via the new Transport Hub we are building on the doorstep of the international terminal. We will also provide new gates and other facilities to help airlines smooth and speed-up turn-around times.”

Pre-covid, 62% of all domestic passengers in New Zealand passed through Auckland Airport each year.

The new combined terminal will add floor space across two levels to the existing international terminal building, with the wider integration programme including significant upgrades to airfield pavement, underlying utilities, and employing 2,000 people at the height of construction.

Regional turbo prop flights, those travelling to smaller town centres, will remain in the existing domestic terminal for now, with Auckland Airport currently consulting with major airlines and the Board of Airline Representatives (BARNZ) on the future location for regional travel.

Pre-covid, a total of 9.6 million domestic passengers travelled through the domestic terminal each year, while 11.5 million international passengers (including transits) passed through the international terminal.

Low carbon future

“Sustainability is a priority for us – this investment will help us move towards climate change goals and create a more sustainable airport,” said Ms Hurihanganui.

“We have worked very closely with major airlines to understand their needs and requirements, including the investment they’re making in larger domestic aircraft, and their planned future low carbon aircraft. We are supporting airlines by installing ground power units at each gate to supply power to aircraft, helping to reduce fuel use.

“Without the right airport infrastructure any airline aspirations to a low carbon future will not be achieved,” Ms Hurihanganui said.

Along with ground power units for aircraft, the upgraded airfield surrounding the new combined terminal will provide charging for electric ground handling equipment and vehicles. Design and construction materials for the combined terminal will be selected to reduce the building's carbon footprint as much as possible, alongside a focus on waste minimisation and water efficiency.

Global rebuild of airports

Auckland Airport is not alone in making significant, much needed aeronautical investment. According to Airports Council International (ACI), globally around \$US2.4 trillion needs to be spent on airport infrastructure over the next two decades, more than half of that investment in the Asia Pacific region.

“Airports were built in the 1960s at the dawn of the jet age, and right across the world upgrades are taking place to better serve today's modern traveller as well as the future of aviation. New airports like Western Sydney in Australia are being built, however, the majority of investment is going into modernising and enhancing existing airports like Auckland Airport.”

Ms Hurihanganui said Auckland Airport is currently in consultation with major airline customers over the charges they will pay in the future to operate at the airport, with future prices set with reference to the Commerce Commission's regulatory disclosure framework and target return parameters updated as at the start of each five-year pricing period. Prices are then reviewed and reported on by the Commission.

“We recognise that in today's environment price changes are challenging. As we step forward, we are ambitious but mindful of cost, ensuring our infrastructure programme is fit for purpose.”

Ms Hurihanganui said while future airline charges will have to increase, they will be coming off a very low base due to the age of the existing domestic terminal. Auckland Airport will only begin to recover the cost of infrastructure investment once commissioned and airport users (airlines and travellers) are enjoying the benefits.

“We believe the value in creating the resilient gateway that Auckland and New Zealand need is worth the money invested.

“Kicking infrastructure investment down the road would not be in New Zealand's best interests. History shows it will not get any easier or cheaper.”

While the new combined terminal is under construction, domestic travel will continue to operate from the existing domestic terminal.

“To make sure every journey is a comfortable one until the new domestic terminal opens, we will be upgrading and renovating traveller facilities at the current domestic terminal, including bathrooms, helpdesks, and dwell spaces.”

Aeronautical pricing

Auckland Airport is due to set aeronautical prices for the remainder of the price setting event for the 2023 to 2027 financial years (PSE4) by the end of June this year, following airline consultation.

Because of the scale of the project and the time it will take to deliver, the airport's terminal integration programme will straddle the next two pricing periods, together spanning 2023 to 2032. Aeronautical price consultation for the 2028 to 2032 financial years (PSE5) will be completed by June 2027.

The terminal integration programme is a major part of the airport's wider 10-year capital programme which informs overall airport pricing, something Auckland Airport continues to consult with major airlines on.

NOTES FOR EDITOR:

Highlights: \$3.9b terminal integration programme

- Building programme includes domestic processor (\$2.2b) and other key terminal integration programme projects associated with the development (\$1.7b) and includes forecast construction cost escalation and holding costs.
- Building programme costs have been benchmarked and are in line with other major airport brownfield developments
- 12 new domestic aircraft gates (20% more than at current domestic terminal) with electric charging, all catering for the more efficient and larger (passenger capacity) domestic jets airlines are investing in
- Five minute, indoor domestic to international transfer journey
- Additional dwell and retail space
- State-of-the-art check-in area
- Smart baggage system, using 50% less power to process each bag than a conventional conveyor-based system.

- Employing 2,000 additional workers at the height of construction
- Fast easy transport connection, with \$300 million Transport Hub under construction. Land adjoining the Transport Hub has been set aside for a future integrated mass transit station.

Airport charges

- Domestic airport charges (\$7) typically make up about 3-4% of the cost of an average domestic airfare in 2022.
- Because the domestic terminal is a 58-year-old asset, the domestic charges airlines currently pay are extraordinarily low – 40-50% less than comparable airports in Australia and New Zealand.
- Auckland Airport has been consulting with its major airline customers since May 2011 on a replacement for the aging domestic terminal. Since that time the airport has discussed 21 concept designs with major airlines.

Consultation process

- Auckland, Wellington and Christchurch Airports are subject to information disclosure regulation by the Commerce Commission, providing transparency about airport pricing, spending decisions and performance.
- Auckland Airport sets its airline charges at least every five years, a process that includes consultation with major airline customers and BARNZ followed by thorough public scrutiny by the Commerce Commission.
- Auckland Airport is currently in the phase of consulting with airlines on the pricing period of July 2022 - June 2027.
- Auckland Airport was due to re-set charges from 1 July 2022 but chose to freeze existing charges for the first year of the pricing period to support airlines following the pandemic.
- Once airline consultation is complete, the airport will re-set prices from 1 July 2023 for the remaining four years of the pricing period.
- Airline charges will be set with reference to the Commerce Commission's current information disclosure framework with target return parameters updated as at the start of each pricing period. Our prices are reviewed and reported on by the Commission.

ENDS

For further information, please contact:

Investors:

Stewart Reynolds

Head of Strategy, Planning and Performance

+64 27 511 9632

stewart.reynolds@aucklandairport.co.nz

Media:

Libby Middlebrook

Head of Communications and External Relations

+64 21 989 908

Libby.middlebrook@aucklandairport.co.nz