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Airport-based businesses struggle to survive soaring costs



Roeland van den Bergh | The Post

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Aviation industry veteran Ian Andrews said regional airports, such as Nelson, are charging rents based on hundreds of percentage points above land value.
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Aircraft come and go at regional airports around the country, moving thousands of people a day, but airports also make up to half of their income leasing land to service providers such as aircraft engineering, flying schools and private aircraft hangars.

Many of those businesses have no option other than being based at an airport. They face huge increases in lease costs, in part due to inflation, higher council rates and airports looking for more valuable uses for their land.

A hot spot for industry grievances is Nelson Airport, but similar issues are being raised throughout the county for council owned airports, including Hamilton, Wānaka, Masterton, Taupō and Ōamaru.

Aviation Industry Association chief executive Simon Wallace told *The Post* some of his members who provided aviation services,

particularly engineering and logistics firms, to Nelson Airport had been affected by steep increases in local body charges.

“For some years now, Nelson Airport has been picking off individual tenants at high lease rates which have been compounded by steep land lease charges during Covid when prices rose by as much as 30%,” Wallace said.



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The association raised the same concerns about Hamilton Airport in 2024, not just about rental costs for land adjacent to the airport, but also landing charges. Rental fees for businesses at Hamilton had increased by up to 200%, he said.

The industry body and other aviation organisations have brought the issue of airport charges to the Aviation Council, and called for a total review of system costs. The review would include not just fees, levies and charges by the Civil Aviation Authority (CAA) and air traffic controller Airways, but also the plethora of other costs.

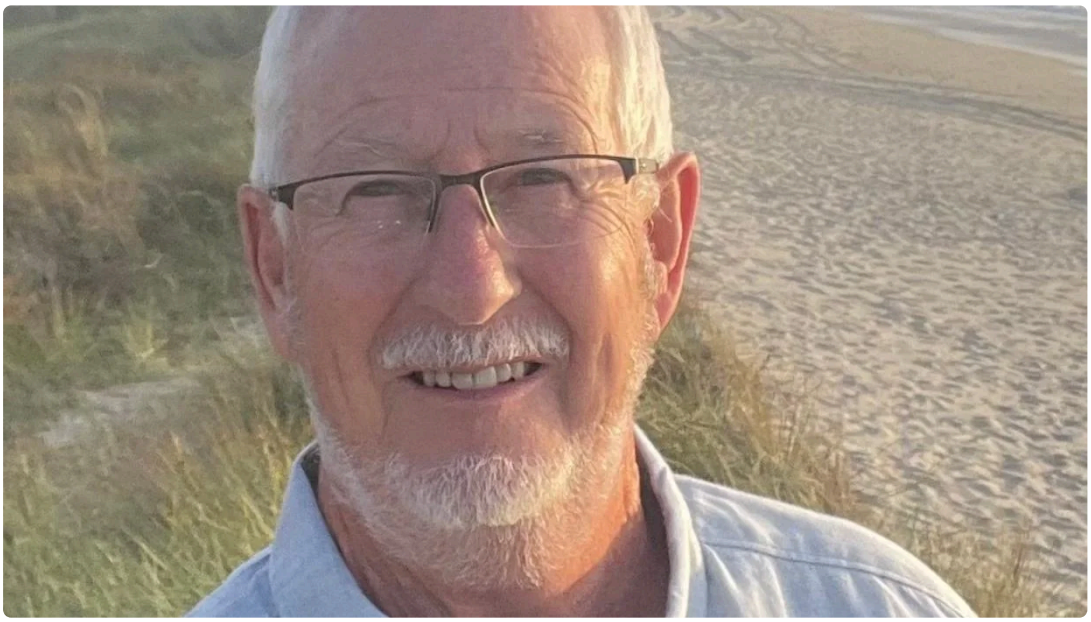
“The fact is most of our member businesses have little choice but to operate from the airport due to the nature of their business, therefore, they have little choice but to pay what the airport demands, unlike most businesses that have a choice to move,” Wallace said.

The Government indicated it would look into airport costs as part of a first principles funding review of the CAA early next year, along with a review of Airways' pricing, he said.

Airports benefited most from increases in passenger and freight movements, but their charges have largely gone unchecked. The high cost of fuel is also creating significant challenges for commercial aviation industry operators, which is only compounded by increasing airport costs, Wallace said.

Industry veteran Ian Andrews said regional airports were charging rents based on hundreds of percent above the land value.

This was affecting the viability of companies such as aircraft maintenance providers who had no choice but to be at an airport. Andrews, the past chairperson of the Uncontrolled Airport Association of New Zealand, said the high costs of leasing on airport land is prevalent nationwide.



Industry veteran Ian Andrews said regional airports were charging rents based on hundreds of percent above the land value.

Nelson Airport is owned by Nelson City Council and Tasman District Council.

Andrews said the airport company-commissioned valuation treats airport land "as if it was industrial land in the (neighbouring) Tahuna industrial area, but it's not".

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“If we want to be at an airport in the Nelson Marlborough area, we have no option but to be on that airport.” Other smaller airports at the top of the South Island, including nearby Motueka, or even Blenheim or Omaka, are unsuitable. They lack the sophisticated navigation equipment Nelson has that aircraft maintenance firms use to test equipment and allows the airport to remain open during inclement weather.

The Commerce Commission has refused to become involved because regional airports do not fall under its jurisdiction, unlike Auckland,Wellington and Christchurch airports, he said.

But Andrews said the commission’s airport pricing methodology used for those gateway airports is sound. “They say if it was industrial land, this is what it would be worth. But to arrive at that, you should be deducting the costs of getting it to become industrial. That's a standard process that you would go through with a valuer. We're just saying that the values are wrong, Andrews said.

“This is not a fair and just way to charge the rates.”

Lease holders could not sell their hangars to anyone other than the airport company, which had the first right of refusal. His lease has four years to run and an extension out to 2040 has been refused.

“When my lease comes up, I've either got to walk away from the building, or I've got to pull it down.”

The same issues apply to most small airports around the country.

“They're an absolute shocker of a lease, but you've got no option because they've got a monopoly. We can't have aircraft or helicopters going in and out of anywhere else. We're completely and utterly captured.”

All airports should be applying the Commerce Commissions’ input methodology that applied in Auckland, Wellington and Christchurch to create a level playing field, he said.

The Post asked Nelson Airport chief executive Brendan Cooke why so many small operators were unhappy about its charges.

Cooke made no apology for the success of the airport. “We are a large regional airport and aviation hub for the top of the south.”

An airport like Nelson had expensive infrastructure; runways, taxiways, aeronautical equipment, fences and security, to support businesses that operated from the site, he said.

Tenants were offered a long term ground lease, or ground and asset lease - typically a building such as a new hangar over a 10 to 30 year period, reviewed every five to 10 years - and the rent was usually increased in line with the Consumer Price Index.

“I wouldn't say that rents have gone up more than CPI,” he added.

Cooke said the airport wanted to see successful businesses that built aviation related services; including airlines, aircraft engineering, freight, tourism, flight training, aeronautical surveying and navigation aids.

The airport was like a shopping centre. “We provide the space and infrastructure for other businesses to come on to our property, to grow and prosper and to run their own businesses.”

He acknowledged the industry was doing it tough.

“Our industry is hurting. The costs to operate in aviation have grown much quicker in recent history than ever before.

“I've spent 15 plus years in aviation. Airport tenants, particularly in that general aviation field, come and go. Some operators are hugely successful. We've got other operators who are looking to grow and can see new markets.”

Among them is a rise in high value, wealthy tourists coming to the region who use private jet services, which could provide growth opportunities, Cooke said.

There were always winners and losers when things change in economics and business markets. Traditional small maintenance companies or aircraft operators were finding it hard.

Opportunities still existed at places like nearby Motueka.

“But as an airport like Nelson grows and our passenger numbers grow, and our commercial opportunity grows, those types of things have to find a new home where it is still viable for them to be. That is normal,” Cooke said.

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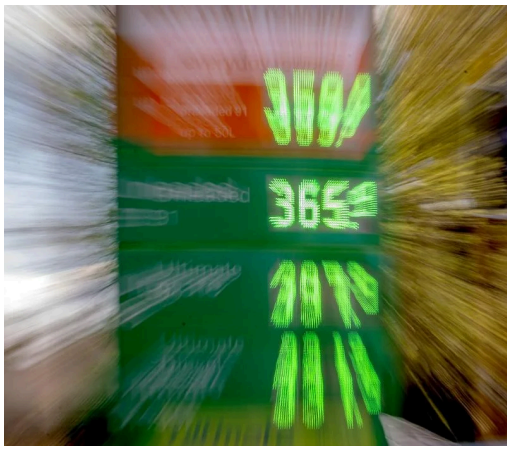
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