

# Absolutely Positively New Zealand



**Wellington region population:** 500,000  
**Airport passengers:** 5.5 million

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# WHO WANTS WELLINGTON TO BE BETTER CONNECTED?

**Wellington City Council and Wellington Airport are working together to extend the region's air service links. The key step in this project is a 300 metre extension to the Airport runway.**

## Celia Wade-Brown Mayor of Wellington City

Wellington has a remarkably rugged landscape, as shown in the satellite photograph on the previous page.

The surrounding wild seas, forests and steep hills, plus the distances to international centres, require transport links that don't come easily.

The Airport has been a particularly difficult challenge. Its first 300 metre runway was east-west. A hill was then flattened and the runway shifted to north-south and over the years it was extended twice.

We want it extended again so that central New Zealand can have direct air services with Asia and America and better links with Australia.

Weta, Trade Me and Xero are three of the country's most exciting new businesses and it is no coincidence they started here. Our economy is increasingly driven by high-skill innovative sectors and a willingness to invest. But we know that for today's stars to grow and for the next wave to flourish, we need connectivity. Which would also benefit education, tourism, immigration and the public sector.

Stage one of this project is the accumulation of all the facts; economic, ecological and cultural. Stage two will be consultation and consenting. If the facts and the people of Wellington are supportive, stage three will be funding and construction.

## Marko Bogoevski Chief Executive of Infratil

Over the last 15 years Wellington Airport has developed a gateway the people of the region are proud of. It actively and successfully markets airlines to encourage them to provide services. It is very efficient and has the lowest operating costs of any international airport in New Zealand or Australia, and it continually invests in capacity and facilities. It backs many social and cultural initiatives because it recognises that an airport benefits if its community is vibrant and successful. And it has provided its shareholders with a good return.

Against this backdrop, the project described in this newsletter is different to any other. It would unquestionably benefit the region and New Zealand, but the cost to the Airport would be substantially greater than the associated income. The challenge is for public and private parties to work together to deliver the benefits.

Work now being undertaken must prove that extending the Airport runway would result in better air services and economic gains, and it has to make a compelling case that the costs have to be shared amongst those who will benefit.

This is an exciting project and we support the City and the Airport undertaking the necessary investigative work to ascertain if it is viable.

*Left to right, top to bottom:*

**Dr Oliver Hartwich**  
Executive Director The New Zealand Initiative

**Raewyn Bleakley and John Milford**  
Chief Executive and President Wellington Employers' Chamber of Commerce

**Professor Siah Hwee Ang**  
BNZ Chair in Business in Asia, Victoria University of Wellington

**Carlo Petagna**  
Restaurateur Fratelli

**Celia Wade-Brown and Justin Lester**  
Mayor and Deputy Mayor of Wellington

**Tim Bennett**  
Chief Executive NZX

**Professor Grant Guilford and Ian McKinnon**  
Vice Chancellor and Chancellor of Victoria University of Wellington

**Rod Drury**  
Founder and Chief Executive Xero

**Victor Vito**  
All Black

**Sir Richard Taylor**  
Founder Weta Workshop

**Paul Foster-Bell**  
National Member of Parliament and aspirant Member for Wellington Central

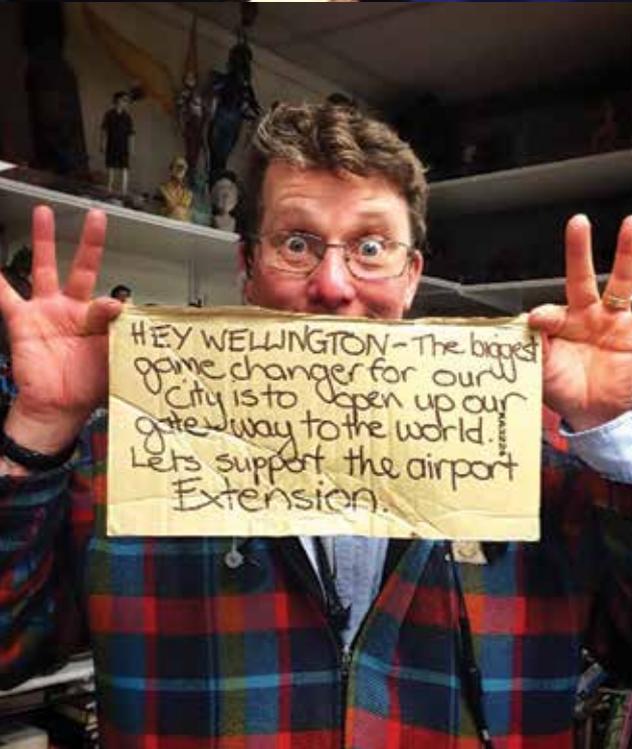
**Chris Parkin**  
Owner Museum Art Hotel

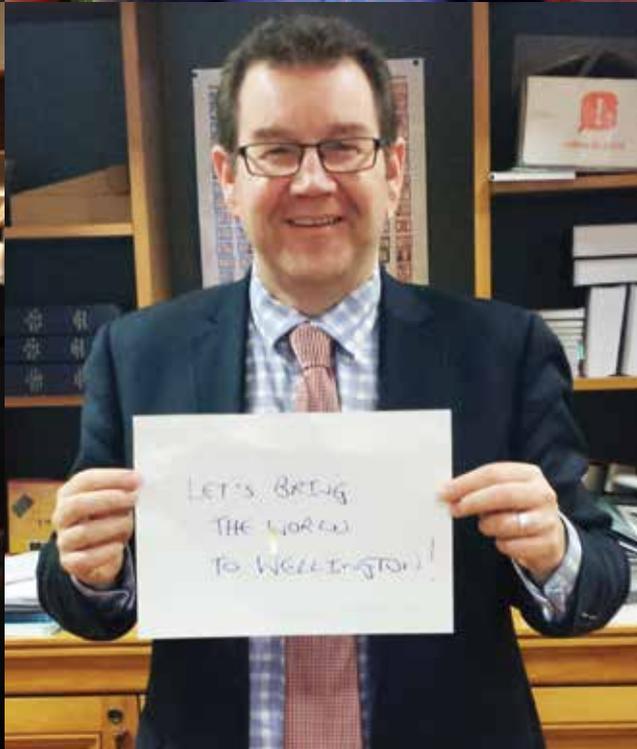
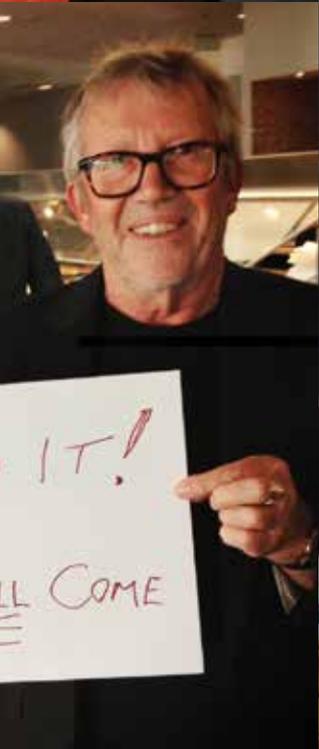
**Grant Robertson**  
Member of Parliament for Wellington Central

**Dr Gareth Morgan**  
Trade Me, GMI, Welnix, Morgan Foundation



**People Who Support Wellington City Council and the Airport Company working to extend the Runway to Allow Direct Services with Asia and North America and Better Services with Australia**





# THE FULL EXPLANATION

As the world's most remote country New Zealand's air links are crucial for inbound and outbound tourism, business connectivity, students and teachers, the way to and from OE, and keeping in touch with friends and family.

Over the last 25 years the increasing affordability of air travel has been transformative; Auckland's international character, Christchurch's tourism with its economic and social spin-offs, Wellington's renaissance of technology, film, universities, and government sectors and physical investment in Te Papa, hospitality, waterfront and Westpac Stadium.

However the reality is that New Zealand's links with Asia, in particular, have lagged far behind Australia's.

## **Over the last decade airline capacity between New Zealand and Asia has fallen 11%, whereas between Australia and Asia it has risen 53%.**

New Zealand has **two airports** with direct air services to the Northern Hemisphere cities of Tokyo, Hong Kong, Guangzhou, Bangkok, Kuala Lumpur, Singapore, Shanghai, Los Angeles, San Francisco, Seoul, Honolulu, Vancouver.

Australia has Northern Hemisphere air services between **eight airports** and Abu Dhabi, Bandar Seri Begawan, Bangkok, Beijing, Chengdu, Chongqing, Dallas, Doha, Dubai, Guam, Guangzhou, Ho Chi Minh City, Hong Kong, Honolulu, Kota, Kuala Lumpur, Los Angeles, Manila, Mauritius, Nanjing, New Delhi, Osaka, Phuket, San Francisco, Seoul, Shanghai, Singapore, Taipei, Tokyo, Vancouver, Denpasar and Jakarta.

New Zealand has annual airline capacity on services flying to the Northern Hemisphere of 3.4 million seats. Australia has 30.7 million seats of annual capacity.

It is obvious from Australia that more airports means more air services. Having only two urban airports with long-haul capability in New Zealand has limited new entrant airlines and competition.

Direct connections between Wellington and the Northern Hemisphere would make a difference; tourism, sustaining the film industry, expanding the connections between the universities, service industries and Asia, and supporting investment in cultural, commercial and social infrastructure.

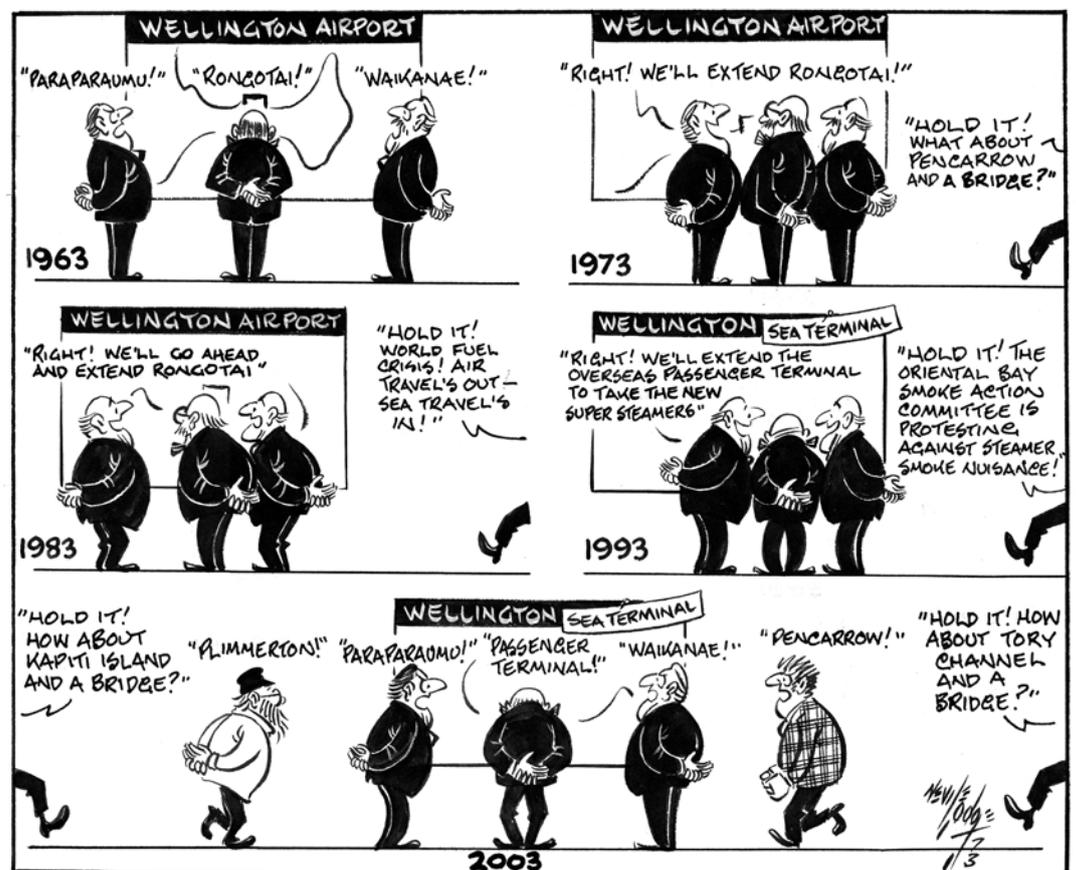
However, while the benefits of air connectivity are unarguable, in Wellington it has never come easily. The City has little flat land and the existing 110 hectare airport (about 10% of the land area of Auckland's) came from reclamation or the flattening of hills. The cost of each metre of runway has meant that Wellington has always lagged aircraft technology and demand. In the 1940s DC3 were linking Christchurch and Auckland and Electras were linking those regions with Australia. Those aircraft only made it to Wellington after its runway was extended in 1959 when, coincidentally, DC8 jet aircraft came into service between Australia and Christchurch and Auckland. But DC8 only arrived in Wellington in 1972 after its runway was extended again. More efficient aircraft appeared on the Tasman and Wellington's runway was once more extended in 2009. An extension now would finally mean that Wellington could accommodate the world's most advanced aircraft and allow long-haul services.

There is little dissent that better air services would increase connectivity and provide economic and social benefits. But there are two persistent queries “if you build it will they come?” and “who should pay?” There is strong evidence that a longer runway at Wellington Airport would result in it being used. Current passenger movements, analysis of the responses of people to better services, and airlines’ expression of intent all underlines that “they will come”.

The “who should pay” point is more difficult because this project will require both public and private funding. It will mean building a mainly government financed extension onto Wellington Airport’s existing (mainly privately financed) runway. The cost sharing will have to reflect that while the Airport would create some commercial value, and would pay for that, the majority of the benefit would be captured by a wider community.

One thing which will be certain; the costs and benefits of the project will be entirely open to public scrutiny.

The following cartoon from 1973 jokes about the potential for a constant supply of reasons for not extending the Airport runway. Unfortunately the joke became the reality.



1950



Evening Post EP/1955/2146 - F. Alexander Turnbull Library

1929  
350 metres



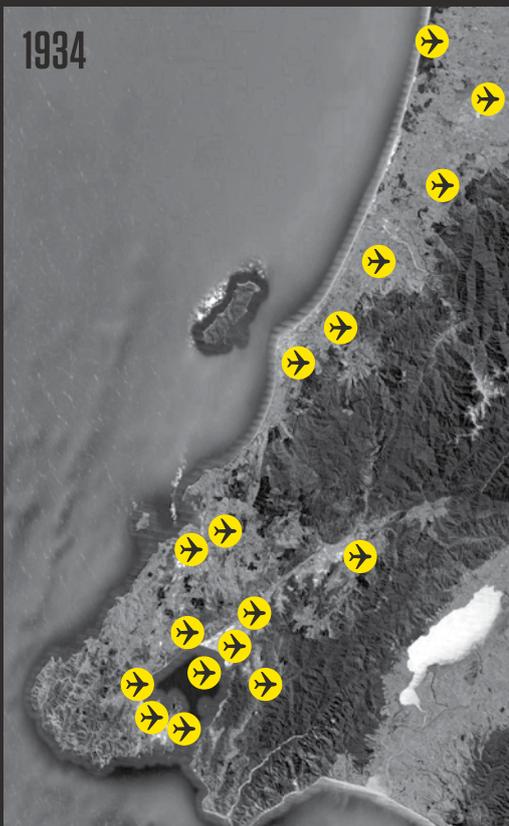
By 1938  
+650 metres



By 1946  
+100 m

1959  
+550 m

1934



Many alternative airport sites have been proposed

1952 -  
1959



Hill removal and reclamation

Evening Post EP/1957/2561 - F. Alexander Turnbull Library



# RUNWAY EXTENSIONS: CONTROVERSIAL & INCREMENTAL

Lyall Bay beach was first used as a runway by Arthur Schaefer's homemade aircraft in 1911. Ever since the location of Wellington Airport and the length of its runway have been continuously controversial.

Wellington's lack of flat land has meant that the history of its airport has been one of construction, preceded by years of debate.

Incremental extensions provided the region with a convenient airport which some modern aircraft were able to use. An extension now would hugely increase the range of links.



Wellington Airport

Evening Post EP/1959/2169 - F. Alexander Turnbull Library



A Viscount finds the runway too short

Photo: Victor Young

# ECONOMIC VALUE

National and regional economic value would be created by Wellington attracting direct Northern Hemisphere and new Tasman air services and there are several ways to measure this.

One approach is to ask taxi drivers, restaurateurs, the Chamber of Commerce, the University, Weta Digital or Xero “what benefit do you now get from Wellington’s air travel links and how much better would it be if those links were improved?”

The second approach, favoured by government agencies, is to produce a model which calculates the economic impact by multiplying a series of assumptions.

- **1 additional air service a day carrying 100 inbound visitors is 36,500 additional visitors a year.**
- **Average per visitor spend in New Zealand is \$2,850, that adds up to about \$100 million a year per additional daily air service.**
- **Each \$1 of additional visitor spend creates a net benefit of \$0.50.**

There are many past examples of the economic impact of incremental air services so forecasts should be reliable. For instance, the Emirates’ services linking Christchurch to Australia are calculated to have resulted in \$1,200 million of visitor spend over the last decade. Forecasts can be back-tested against such actual outcomes.

Whether value is identified by asking people or by economic modelling, the findings should be consistent so that anecdotes, common sense and models align.

## Te Papa, World of WearableArt, Sevens, Westpac Stadium, Karori Sanctuary, New Zealand Festival

Wellington’s sporting and cultural activities are heavily reliant on a small number of venues and festival events.

Literally none would be viable but for out of town visitors. Te Papa hosts over 550,000 international visitors a year and over half of all its visitors are not from Wellington. Would it have been built only for Wellingtonians? Probably not. The same visitor contribution to viability would also be true for each of the above venues and events as well as many of Wellington’s cafes and hotels.



## Convention Centre, Hotels, Marine Centre, Film/Technology Hubs, Film Museum

**In Wellington at present over \$500 million of capital projects are in gestation. They range from a convention centre to a university extension specialising in film, and each is pending a business case which shows sufficient inbound visitors/users.**

No one will invest \$100 million building a 1,500 person convention centre and five star hotel simply for the Wellington market. To attract long-haul visitors for a two or four day conference the impact of 20 hours travel time and \$1,000 fares versus 40 hours and \$2,000 are obvious.

The consequences for education institutions are particularly stark. Parents are more willing to allow their children to attend an academy, school or university one flight from home than if the journey requires two flights.

The Wellington film industry wants to establish an education facility in Wellington to attract students who could later go on to make movies in Wellington. A key part of the justification is that young aspirant film makers in Shanghai will want to pay to come to Wellington to be part of the southern hemisphere's largest film industry. That becomes a lot more likely with cheaper more direct travel.

The benefit of having long-haul services is apparent from the following table. One flight away from Auckland lives 32% of the world's population, as opposed to less than 1% who live one flight away from Wellington.

City	Flights Today	Countries Connected	People	% of World's Population
Auckland	1 flight	18	2,275m	32%
	2 flights	56	5,222m	74%
Christchurch	1 flight	4	156m	2%
	2 flights	41	4,587m	65%
Wellington	1 flight	2	24m	0%
	2 flights	22	2,476m	35%



## Economic Analysis

Consultants EY were engaged by the Airport to undertake an evaluation of the economic impact of more people travelling to/from Wellington and New Zealand. They estimate an initial annual benefit to Wellington of \$35 million and to New Zealand of \$99 million. The present value of the annual benefits is \$534 million and \$1,327 million respectively (these figures are mid-point estimates of the numbers).

**In other words, if the extension cost \$300 million and created a national benefit of \$1,327 million it would mean there was \$4.40 of benefit for each \$1.00 invested.**

EY used forecasts of the traffic which is likely to arise from the airport runway being able to accommodate direct long-haul services and larger aircraft on the Tasman, and then calculated a range of impacts in respect of:

- In-bound tourism
- Local business travellers
- International students
- Freight
- Airline and airport efficiency

The pie graphs show the break-down of EY's calculation of economic benefits to New Zealand and Wellington.

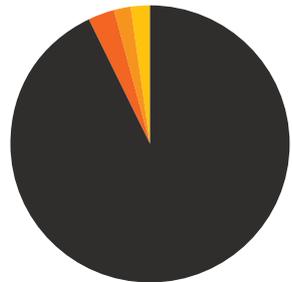
Its calculations did not account for "spin offs", such as the construction of a convention centre (the benefits of this single consequential project are put at \$22 million a year). **Including indirect benefits more than doubles the estimated value of the economic uplift.**

- The extension will immediately result in seven new long-haul services a week and three new Tasman services. Over time the number of new flights will rise. Initially the services may mainly carry people who would have travelled in any case, but traffic will quickly rise above what would have happened without the flights occurring as will the percentage of inbound passengers.<sup>1</sup>
- On average a visitor to New Zealand today spends \$2,850 each visit and about half this sum can be credited to net additional production.<sup>2</sup>

Long-haul visitors spend an average of \$3,740 against \$1,880 by short-haul visitors which adds impetus to the case. That most such visitors do not find their way to Wellington is shown by electronic transaction data. 10% of the electronic payments made by Australians in New Zealand occur in Wellington, but only 5% of those made by Chinese visitors (and the average Australian spends \$1,900 during a visit to New Zealand whereas the average Chinese visitor spends \$3,900).<sup>2</sup>

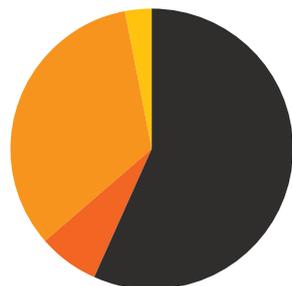
- More foreign students will come to Wellington, Wellington businesses will save time and cost, and outbound freight capability will improve.

**New Zealand Benefits  
\$1,327 million**



- Tourism
- Business time
- Education
- Freight/Other

**Wellington Benefits  
\$534 million**



- Tourism
- Business time
- Education
- Freight/Other

<sup>1</sup> It is forecast that initially the new services would carry passengers who would not otherwise have come to New Zealand as well as passengers who would have flown via Australia and Auckland. Roughly in equal shares.

<sup>2</sup> The visitor spend figures are the most recent estimates of MBIE.

Quantifying the economic impact of inbound visitors and their spending is relatively mechanical, determining the impact of better international links on local universities and businesses is more anecdotal and subjective. There are, however, some useful facts.<sup>3</sup>

- Wellington is “the knowledge Capital”. 43% of its population has a tertiary qualification (Auckland 28% and Christchurch 22%) and this is reflected in the job market and the sources of economic growth.
- Wellington is heavily reliant on high-skills service sectors which have been the source of economic/employment growth since 2008.

EY calculated \$34 million present value of benefit to business from reduced travel times and \$188 million of value to educational institutions from attracting more foreign students taking advantage of better air services.

The anecdotal/survey evidence points to the impact on businesses being substantially greater than \$34 million. The relevance of air services is apparent from the following VUW survey results.

<b>The key business benefits of being based in Wellington</b>		<b>The top challenges of doing business in Wellington</b>	
Close to government	40%	Many corporate offices no longer in the region	34%
Presence of customers	32%	Small regional economy limits opportunities	34%
Availability of labour skills	28%	Lack of the right labour skills	27%
Compactness of the city	21%	Limited international flights out of Wellington	17%
Vibrant city life attracts staff	17%	Don't like the weather	12%

**Wellington Employers’ Chamber of Commerce surveys of its members indicate that over 80% of them support extension of the runway to allow the commencement of direct air services with Asia.**

Data Sources:

1. EY Report is available on Wellington Airport’s website.
2. Ministry of Business Innovative Employment International Visitor Survey.
3. Growing Apart Regional Prosperity in New Zealand. Shamubeel Eaqub.

# VIABLE AIR SERVICES

It is obvious that better air links with Asia, Australia and North America will generate income and social advantages from making it easier for people to meet, stay in touch, and travel.

But that is not the same as saying that air services linking Northern Hemisphere destinations and Wellington would be viable. “Invercargill extended its runway but Tasman services didn’t turn up”. But then try putting a bus stop in your living room and see how long it is before the bus arrives.

Just as a bus stop has to be on the right road to attract buses, air services require a package of factors. They require evidence there will be sufficient passengers and a commercial level of fare income.

**Wellington’s strongest proof that new services would operate if they could is the existing flow of passengers. Over the last year the Wellington region generated 472,000 journeys to or from the Northern Hemisphere (flying via Auckland, Sydney, Brisbane, etc.).**

- **Daily 419 people started or finished a trip between Wellington and Europe**
- **67 did so between Wellington and Africa or the Middle East**
- **347 travelled between the Americas and Wellington**
- **460 travelled between Asia and Wellington**

**To be commercially viable a mid-sized jet needs an average passenger load of about 220 people. Now on an average day 1,293 people arrive at or depart from the Wellington region on a long-haul journey. That is an excellent catchment of demand to vindicate the first service.**

Some years ago a difference of opinion about the future of civil aviation arose between Airbus (bigger A380) and Boeing (smaller B787). Airbus expected people to fly to a “hub” airport and then fly between hubs on the behemoth A380. Boeing expected more “point-to-point” long-haul flights. Boeing was right.

If Wellington’s runway was suitable it would capture the benefit of the global trend towards point-to-point air services.

## Direct Services Will Mean More Travellers

Many people experiencing inconvenience and higher cost because of Wellington's lack of long-haul services are likely to switch to faster and cheaper direct services. However, **the justification for extending the runway depends on whether better services will result in more people travelling to New Zealand.**

One test is to ask yourself; "would I be indifferent between 18 hours of travel and a \$900 fare on the one hand and 10 hours and \$500 on the other?" (roughly the difference between Wellington-Tokyo and Sydney-Tokyo).

There are also some helpful statistics which show that expensive inconvenient air services do discourage travel.

- Over the last year, on average each 100 people who live in Wellington flew long-haul 34 times (one flight per 2.9 people). The average 100 Aucklanders took 43 long-haul flights (one flight per 2.3 people).
- For New Zealand as a whole, 65% of long-haul travellers were inbound and 35% were Kiwis. But Wellington long-haul passengers (flying via Auckland, Sydney, etc.) were only 35% inbound, ie. 65% were Kiwis.

Breaking Wellington's long-haul traffic into regions; of the Asia traffic 70% are Kiwi and 30% inbound, with Europe the splits are 60/40 and with the Americas 65/35.

**These statistics show graphically that Wellington's lack of long-haul services discourages Wellington residents from travelling, but not as much as it discourages Northern Hemisphere residents from coming to Wellington (and New Zealand). Inbound visitors would have to rise 360% to bring Wellington's inbound/Kiwi passenger mix up to the current national average.** This rather grim finding reflects:

- The additional cost and inconvenience associated with getting to/from Wellington.
- Wellington is an invisible long haul destination for overseas travellers, hidden behind Auckland, Sydney, etc. Airlines which do not have Wellington on their network do not actively market Wellington as a destination.
- Some Wellingtonians want or need to fly to the Northern Hemisphere so outbound demand will always be there.

While some travellers arrive in Auckland and travel to Wellington by road, electronic spending data shows that few long-haul tourists make it to Wellington this way.

Long-haul services, especially if provided by a foreign airline, would result in a marked rise in inbound visitors as well as increasing Wellingtonians' trips to the Northern Hemisphere.

## Supply Creates Patronage

Air travel growth reflects an interplay between demand and supply. As demand grows, airlines prefer to raise fares. If capacity is added to a route (often via a new airline entering a service) they lower fares to fill the seats.

There are many illustrations of the “supply creating patronage” effect.

- AirAsia X commenced four services a week between Christchurch and Kuala Lumpur in April 2011. Malaysian visitors to New Zealand increased from 20,700 in 2010 to 33,300 in 2012; +60%. (The service was withdrawn after the earthquake.)

The market had been flat for a decade and there were existing Auckland–Malaysia services and good links via Singapore.

- Hawaiian Airlines began services between Auckland and Honolulu in March 2013. Since commencement, Hawaiian visitors to New Zealand have increased 40%.

The market was being served by Air New Zealand, but a new airline offering different products and appealing to a different set of passengers (predominantly American) stimulated demand.

- China Southern began Auckland-Guangzhou in April 2011. There were 115,000 Chinese visitors to New Zealand in 2010 and 236,000 in the last twelve months for which figures are available; +105%.

Prior to China Southern commencing services there were links between Auckland and Hong Kong and Shanghai.

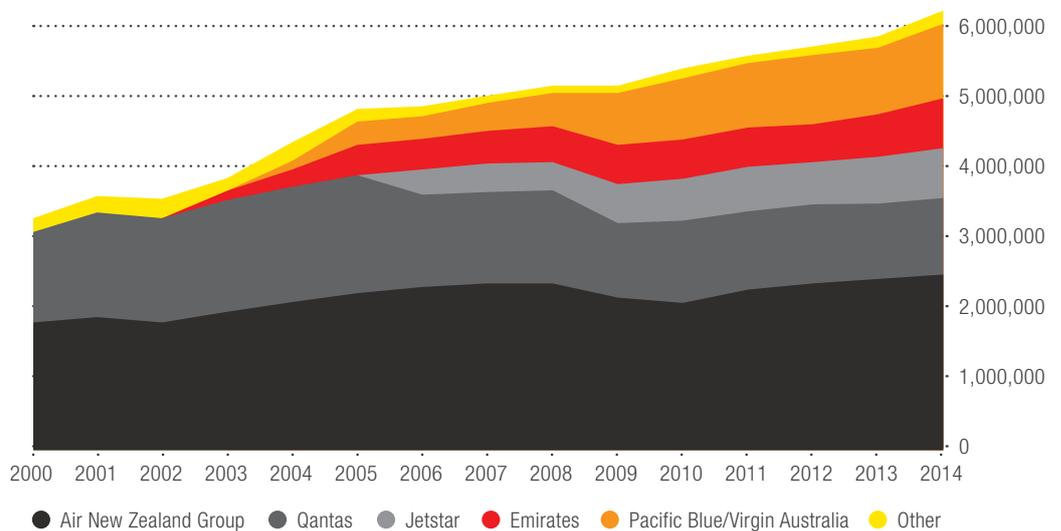
This tendency for air services to generate passengers (rather than vice versa) is reflected by the traffic at airports of similar size to Wellington. There is clearly significant potential for Wellington’s international passenger numbers to grow.

Million Passengers per year	Domestic Passengers	International Passengers	International Passengers/Regional Population
Wellington	4.68	0.75	1.5x
Christchurch	4.36	1.34	2.6x
Cairns	3.64	0.52	3.1x
Darwin	1.61	0.32	2.2x
Gold Coast	5.00	0.88	1.6x
Adelaide	6.80	0.91	0.7x

## Tasman Traffic

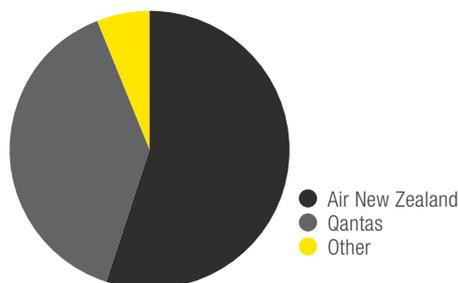
Air travel over the Tasman illustrates many of the growth characteristics typical of aviation and the critical role of new-entrant airlines. **Over the period shown in the graph, 60% of the market growth was provided by airlines not operating at the start of the period.**

### Passengers flying the Tasman

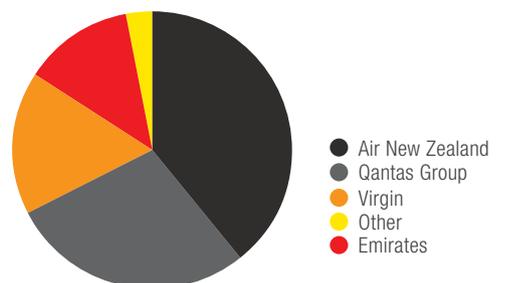


- Since 2000 the number of passengers flying between New Zealand and Australia has risen 2.96 million or 90%. 1.78 million of these additional travellers were carried by Emirates and Virgin, which were not on the services at the start of the period.
  - Because of its runway, Wellington has not been able to attract Emirates services even when there have been available aircraft.
  - For every six seats flying between Auckland and Australia, Wellington has one.
- On a per-head of population basis, Wellington has fewer than half the Tasman capacity of Auckland. Annually 3.8 seats fly Auckland-Australia for each person who lives in Auckland, 1.8 seats are available per Wellington region resident.

### Tasman Airline Capacity 2000



### Tasman Airline Capacity 2014



# WELLINGTON AIRPORT AIRCRAFT HISTORY

From the 1928 first crossing of the Tasman by Charles Kingsford-Smith (he could only circle Wellington and had to fly on to Christchurch to land) Wellington's runway has caused the Airport to lag in its ability to accommodate the modern aircraft of the day. Today aircraft flying from Wellington can reach east coast Australia and Fiji. Aircraft flying from Auckland can make Beijing or Dallas.

## Auckland Airport Aircraft History

1910                      1920                      1930                      1940                      1950                      1960

## Wellington Airport Aircraft History

**1911**  
Arthur Schaef trialled his homemade Vogel monoplane on Lyall Bay beach, Wellington was briefly at the cutting edge of aviation technology



**1928**  
Charles Kingsford-Smith first crossed the Tasman in a Fokker F.VII. He could circle over Wellington but was then obliged to fly on to Christchurch to land



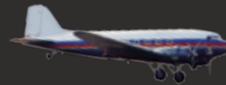
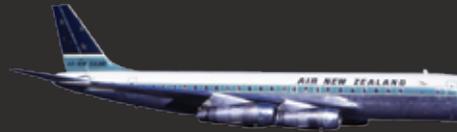
**1946**  
When Auckland and Christchurch had moved on to DC3, Wellington relied on Lockheed Lodestars (one of which still managed to overshoot the runway and end up on the golf course)



**1950**  
On the Tasman, Auckland and Christchurch had DC4s while Wellington had flying boats



**1965**  
Auckland and Christchurch moved on to the DC8 jet. Wellington had Electra props (with reduced loads)



1970

1980

1990

2000

2010

2020

**1972**  
DC8 jets arrived in Wellington and DC10 wide bodied jets arrived in Auckland and Christchurch

**2014**  
Wellington has A320 links with Australia and Auckland has B787 links with China

**1981**  
Special Performance 747 fly the Tasman from Wellington



# WHICH AIRCRAFT & TO WHERE

Extension of Wellington's runway would allow its use by both long-haul aircraft on services with Asia and North America and larger jets on the Tasman.

## +300 metres & Long-haul

Add 300 metres to Wellington's runway and the following is possible:

Honolulu, Denpasar, Manila	B777-300ER
Singapore, Kuala Lumpur	B787-9, A330-200
Hong Kong, Tokyo, Los Angeles, Shanghai	B787-8, A350-900

If you watch the 1968 movie "2001: A Space Odyssey" you will see that real world transport technology has advanced much slower than the film maker forecast (while information and communication technology have advanced faster). This slow rate of change means both that an additional 300 metres on the runway is likely to be sufficient for several decades and that sans such an extension there is little prospect of airline technology solving the problem.

## +300 metres & The Tasman

An airline may only fly between New Zealand and Australia with the approval of the two governments.

Domestic carriers, Air New Zealand, Qantas, Jetstar and Virgin have largely unfettered rights. Airlines from other nations have rights specified in treaties between the relevant governments. For Wellington to attract one of these airlines (eg. Emirates, Etihad, China Southern) requires regulatory approval and that the airline's aircraft must be compatible with Wellington's runway.

Wellington has not been able to tick both boxes. The prize of being able to do so is substantial. An Emirates aircraft flying between Asia and, say, Melbourne may then be available to fly a return trip to New Zealand and make a profit if it covers fuel and wages. This can make it very economic relative to an aircraft that must also make a return on capital.

## Hard to Get to & High Fares (and vice versa)

Constraints on Wellington's Tasman capacity has flow-on effects to fares and network connections. For instance recent airline alliance changes have given some Wellingtonians a pleasant surprise; a journey hopping Wellington-Brisbane-Los Angeles-New York for \$700.

This is a lot lower cost than usual, a lot cheaper than flying via Auckland, and was due to airline competition on each leg of the journey. While improved Wellington-Australia connections were reflected in the \$700 fare to New York it could be better, especially as that \$700 trip took 32 hours and would have been 11 hours shorter had a direct Wellington-LA service existed.

# WHO WILL PAY?

The deliberation and consultation which occurred prior to each of Wellington Airport's three previous runway extensions took an average of 18 years. As illustrated by the 1972 cartoon on page 3, airport location, economic value, pollution, noise and the environment all featured in past debates. But the main cause of delay has always been money.

Money is likely to be the key this time too.

Coming up with the funding for the 1959 and 1972 extensions entailed a laborious Crown-Civic process where every option and every element of potential relevance was tested and presumably disputed. Cartoons of the day depicting the process often have politicians drawn in military uniforms with white flags signalling decisions. Even the 2009 extension took a decade of consultation between Airport, airlines and regulatory agencies.

The debate about money is more "who" than "how much". This time:

- The EY analysis of economic value and the Airport's calculation of revenue give a rough estimate of benefit apportionment as depicted in the graph on the left.
- A starting-point stab at "who could pay what" is depicted in the second graph.

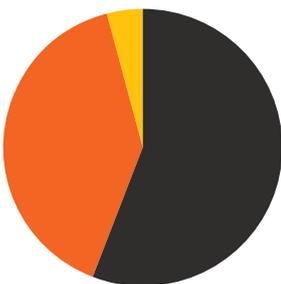
The graphs highlight two facts. The commercial value of the extension to the Airport Company will only justify it paying for part of the construction. With the obvious second fact being that construction will only happen if government (central and local) meet part of the cost. Naturally tax and rate payers should say "Why? The Airport paid for the 2009 extension, can't it pay this time too?"

- When Wellington Airport invested \$35 million extending its runway in 2009 the cost was borne by all Airport users who pay about 50 cents for it each time they fly. It is neither desirable nor practical to charge all users the \$4 to \$5 per-use which would be required to pay for the proposed extension.
- From within government have come murmurs "but Auckland Airport is expected to pay for its second runway with no government money?" As with Wellington's 2009 extension this merely means that everyone who uses Auckland Airport will pay, not only those who use the second runway.
- It can also be noted that while Auckland Airport users may pay for Auckland Airport facilities they will not be paying for Auckland's roads and public transport so they can get into the city or head south and there are alternative ways to meet even land transport costs. For instance in Sydney there are plans to charge a toll on vehicles getting to and from the airport. Infrastructure costs money, someone pays and the allocation of costs and benefits are not always aligned.

It is intended that existing users of Wellington Airport who do not benefit from an additional 300 metres of runway will not pay for it and that local and central government and shareholders share the burden so that benefits and costs are connected.

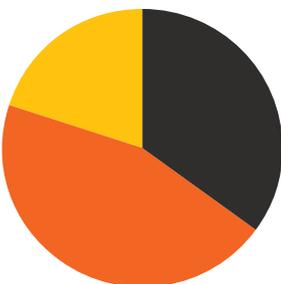
As with every previous extension of the runway, the allocation of cost will be contentious. If each party is not willing to accept a part, it will not happen.

## Benefit Allocation



- National
- Regional
- Airport Company

## Possible Cost Allocation



- Central Government
- Local Government
- Airport Company

# WHERE & WHAT?

If Wellington Airport extends its runway it is likely to be by about 300 metres to the south. The two options which were considered are depicted below.



Engineering analysis identified problems with building north into Evans Bay. The harbour's mud seabed would require extensive and expensive stabilisation if it were to be the foundation for a runway.

The 1972 extension was also to the south, but it is likely that this time construction would differ to what is shown in the photo from 1971. Advice received indicates that construction would probably start with a concrete and rock seawall that would create an outline around what would become 10 hectares of airfield. The silhouette would then be filled in with material from local sources.



Construction of the 300 metre extension commissioned in 1972.

It is estimated that reclaiming 10 hectares would require about 1,300,000m<sup>2</sup> of fill, about a third of what was used in the 1959 project.

The estimated cost is \$300 million, plus/minus about 10%.

Before this could occur, the construction would have to be consented and funding arranged, and before either of those steps a great deal of further work must happen, including further research on:

- Commercial and economic costs and benefits
- Engineering and geotechnical features and risks
- Aviation demand and capability
- Consequences for the coastal environment and Lyall Bay
- Landscape, urban design and traffic
- Noise
- Cultural, recreation and archaeological impact.

Assuming further evaluation of the project indicates it has a reasonable chance of progressing, steps will be taken to have it consented for construction.

This is a brave project and one which will only progress if it wins the support of a lot of people and agencies. It will be a genuine partnership of Wellington local government, central government and the private majority shareholders in the Airport.



Evening Post EP-1971-1414 a-b . Alexander Turnbull Library

# AIR TRAVEL AND AIRPORT. THE STRUGGLE TO SYNCHRONISE

After Charles Kingsford-Smith had completed the first Tasman flight but was unable to land in Wellington because of a lack of a suitable airfield the City Council designated 30 hectares of Rongotai as aerodrome.

The Airport's physical development has often lagged the needs of aviation. Wellington's lack of flat land has meant that the history of its airport has been one of construction, preceded by years of argument.



## Airfield Developments

### September 1928

On 11 September 1928 Australian Charles Kingsford-Smith and crew completed the first Tasman flight from Sydney. They circled Wellington but had nowhere to land so flew on to Christchurch to complete their 14 hour 25 minute journey

### 1929

Wellington City Council designates 30 hectares of Rongotai as aerodrome

### 1934

Chamber of Commerce study identifies Rongotai as the best site for Wellington's airport

### 1938

Wellington City Council "Wood Report" backs Rongotai as the best site. The estimated airport cost, £1.5 million

### 1942

PM Peter Fraser backs Rongotai as the best airport site for Wellington

### 1945

Chamber of Commerce backs Rongotai and the construction of an extended North/South runway able to accommodate international services

### 1947

Wellington City Council puts forward a plan for a North/South runway on top of Rongotai College. Estimated cost £2.8 million

## Aviation Developments



### 1911-14

Arthur Schaefer trials his homemade monoplane on Lyall Bay beach

### 1935

Wellington's first scheduled services are to Nelson and Blenheim by Cook Strait Airways



### 1936

A Miles Falcon crashes killing the pilot, the airport's only aircraft fatality

### 1937

Rongotai De Havilland factory opens and eventually builds 344 aircraft for the RNZAF

### 1940

RNZAF 42 squadron takes over the airport

TEAL is established with Qantas and the NZ Government as the main shareholders (100% NZ owned in 1961)

### 1946

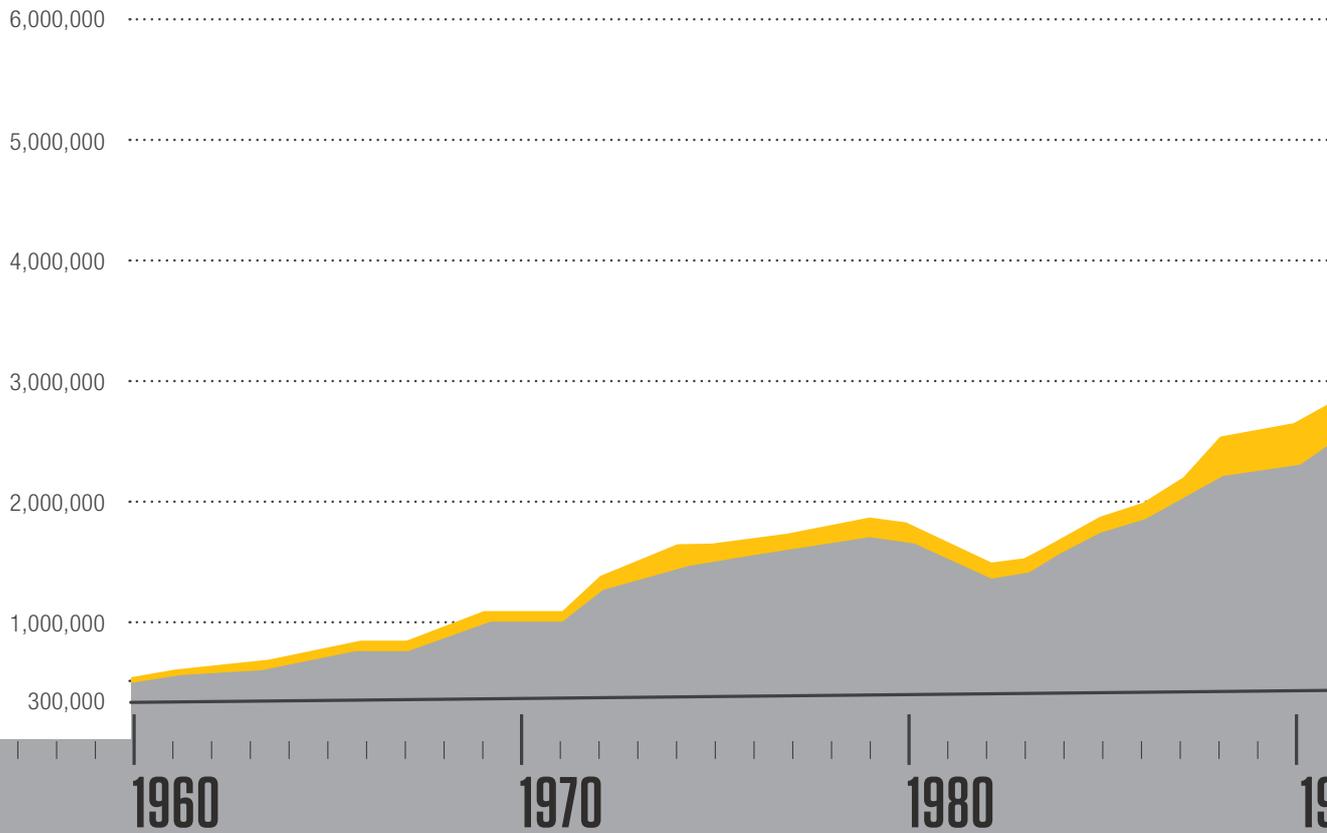
A Lodestar Lockheed landing on the 1,095m East/West runway overruns onto the golf course

### 1947

NAC is established and starts using DC3 on domestic services. These can't use Rongotai's East/West runway so services are moved to Paraparaumu



# Wellington Airport Passengers & Regional Population



**1950**  
Government and City agree to progress the construction of a North/South runway on the current site

**1953**  
Ownership agreed at 34% City and 66% Government (Auckland councils received 51% of that airport)

**1952-59**  
Construction of a 1,660 metre runway requiring the movement of three million cubic metres earth at a cost of £5 million

**1962**  
Chamber of Commerce starts agitating for a runway extension as 1,660 metres is too short for international jet services

**1970**  
Wellington City Council recommends the runway be eventually extended to 2,440 metres, but to 1,980 metres immediately so the Airport can cope with DC8s. The advice is accepted by Government

**May 1972**  
Completion of the southern extension of the runway by 270 metres at a cost of \$3 million. It is announced that a "new terminal is essential"



**1950-54**  
TEAL Short Solent flying boat services link Wellington and Sydney

**1954**  
TEAL introduces Lockheed 188c Electra turboprops with link Auckland and Christchurch with Australia

**October 1959**  
The airport opening ceremony  
At Wellington NAC starts domestic services with Vickers Viscounts. TEAL starts international services with Electras (62 passengers)

**1964**  
TEAL becomes Air New Zealand



Air New Zealand introduces the Douglas DC8 jet on international services, but not from Wellington which because of its short runway is stuck with Electras



**October 1968**  
First landing of an NAC B737-200

**1972**  
Wellington DC8 services start on the Tasman (131 passengers)

**1978**  
NAC and Air New Zealand are merged by the Government



**February 1981**  
Air New Zealand DC8 services terminated

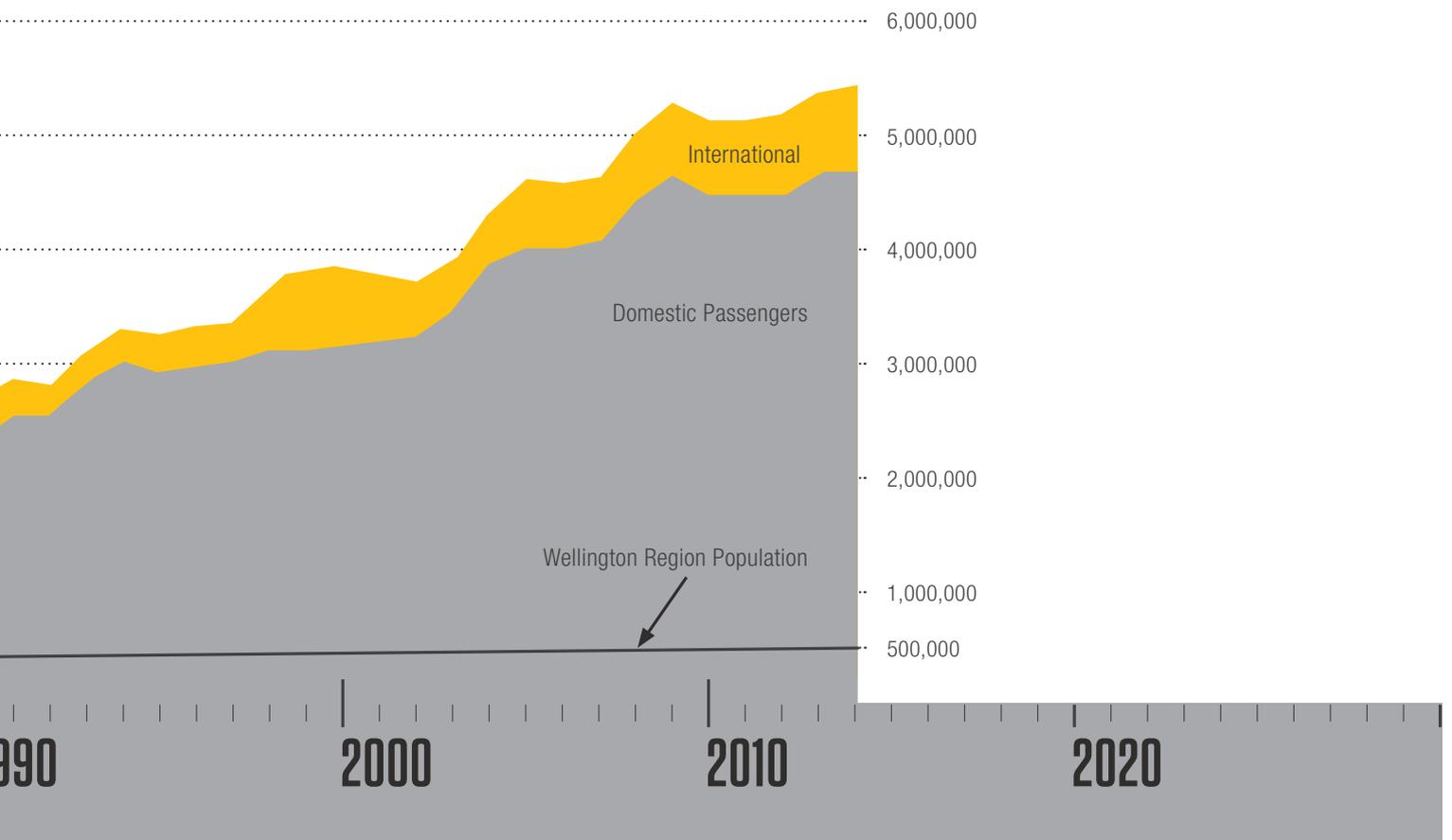
Qantas initiates Tasman services with B747SP which operate until 1985

**September 1985**  
Air New Zealand B767-200ER service Wellington-Sydney

**1987**  
Ansett builds its own terminal (the main terminal was jointly owned by Air New Zealand which refused access to a competitor) Ansett B737-100 initiates services with Auckland and Christchurch, and hot food on flights and airport lounges

**December 1988**  
Government sells Air New Zealand to a consortium of airlines and BIL, later 30% is listed





**2009**  
The airfield is extended 130 metres at a cost of \$35 million to meet increased safety standards and to allow larger aircraft to provide Tasman services

**2015**  
Potential consenting of a 300 metre extension of the runway into Lyall Bay

**2016-19**  
Potential construction of a 300 metre extension

**November 1998**  
Crown sells 66% of Wellington Airport to NZ Airports which six months later becomes 100% Infratil owned

**1999**  
New \$116 million terminal finally replaces the 1937 De Havilland factory

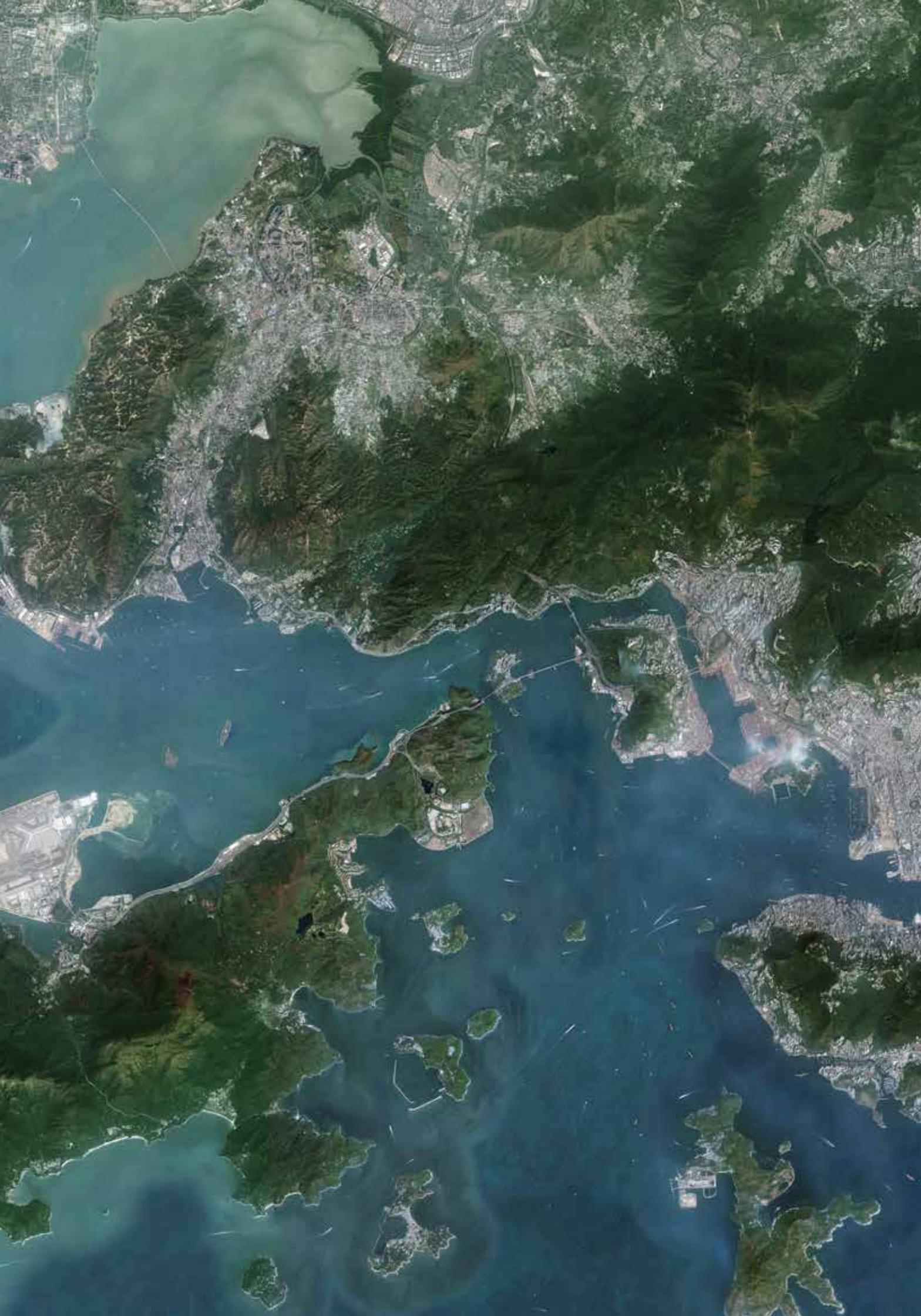
**2010**  
The Rock is officially opened



**2011**  
The first commercial flight of the Boeing 787 and clear evidence that it would not be able to fly from Wellington's runway fully laden to Asia

**2020**  
Potential first direct flight Wellington to Hong Kong





**Hong Kong population:** 7,200,000

**Airport passengers:** 59.9 million

(both photographs show the same scale)