



Economic Policy Centre

Pensions and Intergenerational Equity

Auckland Council's airport shares - the big question that wasn't asked.

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PIE highlights intergenerational equity issues and welcomes the attention to how we pay for social goods provision at local and national levels in New Zealand. We republish this opinion piece by **Emeritus Professor of Economics**, University of Auckland [University of Auckland](#) with acknowledgement to the New Zealand Herald.²

OPINION

I've got a question for the eight Auckland city councillors who voted on Friday against any sale of the city's shares in Auckland's airport. And for those councillors who don't want to sell, but were induced to vote for a partial divestment after being bamboozled into accepting this as the least unattractive of the options available to close the claimed \$325 million deficit in the city's 2024 budget.

This is the question. Suppose there was no budget deficit. And suppose that we didn't own any shares in the airport. And that we had \$2.2billion in cash lying around. Would you then vote to spend all this money on buying shares in Auckland International Airport Limited (AIAL)?

If you answer that you would vote for this: well, I respectfully disagree with you, but at least you are being consistent. If, on the other hand, you could think of better ways to spend \$2.2billion of ratepayers' money – well, I respectfully suggest that on Friday you were suffering from what behavioural economists call the 'Endowment Effect.'

This is when someone values something they own at more than they would pay for it if they didn't own it. It is very common, at the personal level. Look around your house. I'll

¹ PIE Commentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the Pensions and Intergenerational Equity Hub.

² See [Tim Hazledine: Auckland Council's airport shares - the big question that wasn't asked - NZ Herald, 17th June, 2023.](#)

bet you own- as do I – things which you don't want to sell at their market value, but which, were they lost or broken, you wouldn't buy again at that price.

The reasons are usually a combination of self-esteem - wanting to feel good about your past decisions – and sentimental value of stuff you've had around for a while.

That is absolutely fine at the household level, but self-esteem and sentiment should not be driving billion-dollar business decisions. And, indeed, looked at dispassionately, our city owning shares in AIAL is a quite dodgy proposition, for both ethical and commercial reasons.

It is an unregulated, unrestrained monopoly. The airlines complain bitterly about the massive increases in landing fees -- more than doubling during the next five years – being foisted on them by AIAL, with no redress. They say the travelling public will end up paying for this, and they are correct.

Its lead business - long-haul international air travel – is extremely environmentally damaging. And such growth in this that can be expected may increasingly wish to land at the tourists' preferred destination: the South Island.

Somehow opposition to share divestment has become a left-wing talisman, with cries about 'privatising our strategic asset' and the like. But the airport was privatised fifteen years ago, when the government and some of the Auckland cities of the day sold out. Now, more than eighty percent of shares are privately held, half by foreign interests. Auckland City is no more than a passive investor, not even consulted on the 'strategic' decisions like the \$4billion plan to gold-plate the airport terminal – which, may, however, result in shareholders being called on to stump up more equity.

Whether you agree or not with this, we should surely all agree that the fate of our airport shares is a serious matter, to be considered carefully and not as part of a panicky last-minute compromise to push through one year's budget. My suggestion is that we do sell out, but not so hastily as to hand over millions of easy pickings to financial industry coupon-clippers. And then, after a diplomatic pause, we should vigorously lobby the Commerce Commission to intervene against the airport's abuse of monopoly power, perhaps by imposing final offer arbitration – sometimes called baseball arbitration (google it!) --on the setting of airport fees.

What about my claimed bamboozling about the budget? The unattractive options threatened by the mayor to induce a vote to sell shares were: raise rates above inflation; borrow more; impose disruptive cuts to operating expenses - art gallery, museum, etc.

But there is a fourth alternative: cut the capital expenditure budget. Much of this is for things we get along without ok now, but which Council planners think we should have. Just in the current transport budget, there is more than \$800million set aside for capex – we could surely defer \$325million of this, without much distress.

If your household suffers a budget crunch - well, you just put off that new deck or the remodelling of the kitchen, and sleep well at night. In this matter, household wisdom applies to bigger things, too.

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