



COMMERCE COMMISSION

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Please refer to:

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12 March 2008

Geoff Connor
Manager, Corporate and Competition Policy
Competition, Trade and Investment
Ministry of Economic Development
P O Box 1473
Wellington

Dear Geoff,

Submission on Review of Scope of NZ Airport Regulation

Thank you for your letter of 26 February and the invitation to submit the Commission's view on the options proposed with respect to carrying out a further review on the scope and form of New Zealand airport regulation.

The Cabinet Policy Committee on 14 November 2007 approved a policy approach that required the Ministry of Economic Development in 2008/09 to consider:

- Whether additional airports to Auckland, Wellington, and Christchurch should be subject to regulation under the Commerce Act;
- Whether other forms of regulation should apply to regulated airport companies under the Commerce Act; and
- Invite the Ministry of Transport and the Minister of Commerce to report to the Cabinet Economic Development Committee on the outcome of the work by 30 June 2009.

Three options are proposed with respect to further work on airport regulation for 2008/09.

1. Carry out the work as approved and directed by Cabinet;
2. Limit the scope of the review to an assessment of whether additional airports should be subject to regulation under the Commerce Act; or
3. Not proceed with further work at this time.

The Commission considers that the key international airports most important to the New Zealand economy will be the three major airports – Auckland, Wellington and Christchurch. It is these three that it is proposed will be subject to regulation, should legislative change occur.

The legislative proposal is that the three airports comply with economic regulatory guidelines and principles, and that they be subject to an information disclosure and price monitoring regime.

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Over time the work the Commission conducts under such a regime will likely provide greater information to enable an assessment of whether the form and scope of regulation is sufficient for New Zealand's major airports. It will also enable officials and the Commission to better identify what kind of information may be required to assess whether further airports should be covered by regulation and what the nature and form of such regulation should be.

Currently, in the Commission's view, there is a paucity of information existing that can support definitive recommendations about the nature and extent of competitive issues at other airports, whether or not there is a need for regulation and what form such regulation might take. There is little likelihood that consultants or others commissioned to gather such information at this time could access such information to provide such definitive recommendations.

It is likely that an inquiry under Part 4 of the Commerce Act, with the Commission using the full range of its information gathering powers, could provide definitive recommendations but this would be a lengthy and costly approach to the issue. It is therefore the Commission's view that at this time it would be better to concentrate on developing the regime for the major airports.

However, if it is considered appropriate to continue advancing this issue, then officials could consider extending information disclosure requirements to a wider group of airports to be administered by the Commission. This would enable relevant information to be gathered over time to assist in an evaluation of whether additional airports should be regulated and what the forms of regulation should be.

Yours sincerely

A handwritten signature in black ink, appearing to read "Deborah Battell". The signature is written in a cursive, flowing style.

Deborah Battell
Acting General Manager