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Wellington

By email: submissions@comcom.govt.nz

Re: Proposed scope, timing and focus for the review of input methodologies

Introduction

1. The Commerce Commission has provided an opportunity for interested parties to comment on the proposed scope, timing and focus for the review of input methodologies set out in its open letter dated 27 February 2015.
2. Our comments are set out below.

Asset Value Indexation

3. A review of asset value indexation is proposed by the Commission in regard to disruptive technologies.
4. While we support a review of asset value indexation in regard to disruptive technologies, we do not consider a review of asset value indexation should be limited to disruptive technologies. Rather, we believe the review should be broadened to consider the validity of the principle behind applying asset value indexation.
5. It is our firm view that asset value indexation is a disincentive to invest and therefore should be considered in a wider context as part of the IM review.

Disruptive Technologies

6. An important consideration for this review is addressing the risk posed by disruptive technologies on returns and investment decisions. This is a broad topic that has significant implications for investment and therefore needs to be a focus of the IM review.
7. Disruptive technologies have the potential to impact on a number of aspects of the Part 4 regulatory regime. As these technologies continue to develop and mature, consumers will demand more choice and traditional monopoly network services will face increasing competition. Regulation under Part 4 will need to address how to regulate (de-regulate) as competition emerges.

For that reason, we do not consider the review should be limited to areas such as the implications for depreciation and the indexation of asset values. The implications of disruptive change are much broader and may affect different aspects of the IMs in distinct ways. Limiting consideration of these issues to depreciation and indexation from the outset is likely to unduly narrow the scope and effectiveness of the Commission's review.

Review Process

8. We recommend that the time given to interested parties at each of the consultation rounds needs to be commensurate with the time taken in that round by the Commission. That way, interested parties will have sufficient time to consider the issues and respond accordingly.
9. This is the first full review of the IMs under s52Y. How the Commission undertakes the review process and engages with interested parties will set the tone for future review and development of the IM regime. Sufficient time for interested persons to respond to the Commission is an important part of delivering an informed and impartial process.
10. Furthermore, interested parties should be given an opportunity to provide comment on all reports produced by the Commission's experts in this process and to question the Commission or their advisors in the interests of understanding their thinking and / or analysis. This will help ensure that expert input into the Commission's decisions is sound and robust.
11. Finally, the Commission must have a clear and robust methodology prior to any IM review, setting out how IM changes will be analysed and impacts quantified including relevant examples. This will significantly benefit the process once underway, as interested parties can better understand implications.

Conclusion

12. If you have any questions in relation to this submission, please contact me at richard.sharp@vector.co.nz or on 021 790 864.

Yours sincerely,
For and On Behalf of Vector Limited

A handwritten signature in grey ink, appearing to read 'Richard Sharp', with a small flourish at the end.

Richard Sharp
Head of Regulatory