

27 March 1998

Mr Peter Allport  
Acting Chairman  
Commerce Commission  
PO Box 2351

Dear Mr Allport

**COMMERCE ACT 1986: SECTION 54(1) REQUEST FOR REPORT: THE MARKET FOR THE PROVISION OF AIRFIELD SERVICES**

Section 53 of the Commerce Act 1986 (“the Act”) empowers the Governor General (acting on the recommendation of the responsible Minister) to make an Order in Council declaring that the prices for specified goods and services be controlled in accordance with the Act.

In determining whether to make a recommendation to the Governor-General, the responsible Minister may, under section 54 of the Act require the Commerce Commission to report on whether to make such a recommendation. The purpose of this letter is to initiate a report under section 54 of the Act.

**Relevant Goods and Services**

The goods or services to which this letter relates are airfield facilities. These facilities are defined in the Airport Authorities Amendment Act 1997 (“the AAA Act”) and include the facilities and services provided to enable the landing and take-off of aircraft. The AAA Act defines airfield activities as:

- (a) The provision of any one or more of the following:
  - (i) Airfields, runways, taxiways and parking aprons for aircraft;
  - (ii) Facilities and services for air traffic and parking apron control;
  - (iii) Airfield and associated lighting;
  - (iv) Services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft;
  - (v) Rescue, fire, safety and environmental hazard control services;
  - (vi) Airfield supervisory and security services; and

- (b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

### **Parameters of this Report**

Acting pursuant to the power in section 54(1) of the Act, I require the Commerce Commission to report to me by no later than 14 December 1999 on the following matters:

- A whether there is evidence that airfield facilities provided by the three major international airports (Auckland, Wellington and Christchurch) are supplied or acquired in a market in which competition is limited or is likely to be lessened; and it is necessary or desirable for the prices of these goods or services to be controlled in accordance with the Act in the interests of users, or consumers, or as the case may be, suppliers; and
- B whether market conditions are such that the Commission believes that I should recommend to the Governor-General that he make an Order in Council under section 53 of the Act invoking price control over charges for airfield facilities at the three major international airports.

Specific matters on which I require the Commission to consider and report to me on are:

1. Whether charges should be introduced for airfield facilities at one or more of the three major international airports.
2. If the Commission is of the view that price control should be introduced, to which (i) regions, areas, or localities in New Zealand; (ii) quantities, qualities, grades, or classes; and (iii) different persons or classes of persons, should price control be applied?
3. What conditions, test, or thresholds does the Commission consider would be useful in judging whether (i) airfield facilities are or will be supplied in a market in which competition is limited or likely to be lessened; and (ii) it is necessary or desirable for the prices of airfield facilities to be controlled in accordance with the Act.
4. If price control was introduced (i) what form of price control would the Commission apply; (ii) and why; (iii) how would the Commission operate this form of price control; and (iv) what time and/or in what conditions should price control end?

Background information that may assist you in your investigation is contained in the following papers:

- Cabinet Submission CIE(95)318 and Minute CAB(95)M46/5G;
- Cabinet Committee on Industry and Environment (CIE(97)148) and Minute (CIE(97)M31/1); and
- Discussion document: “Review of Airport Regulation: Proposals for Consultation”.

I look forward to receiving your report in due course.

Yours sincerely

Hon John Luxton  
Minister of Commerce