



Office of the Minister of **COMMERCE** Wellington 1



**26 MAY 1998**

Mr Peter Allport  
Chairman  
Commerce Commission  
PO Box 2351  
WELLINGTON

Dear Mr Allport

I am writing in response to your letter of 5 May 1998 regarding the inquiry into prices for airport services.

In reference to my letter to you of 27 March 1998, you note that the relevant goods or services for the inquiry have been referred to as airfield facilities. These were stated to be those defined as airfield activities in the Airport Authorities Amendment Act 1997 ("the Act").

In your letter, you note that although the distinction between airport activities and airport facilities may be of a minor nature, but for the sake of clarification it would be preferable that the Commission be required to report on whether airport activities (as defined in the Act) should be controlled in accordance with the Commerce Act 1986.

I concur with your view. Thus, acting pursuant to the power in section 54(1) of the Commerce Act 1986, 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 activities 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 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 controls over charges for airfield activities 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 activities 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, tests, or thresholds does the Commission consider would be useful in judging whether (i) airfield activities 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 activities to be controlled in accordance with the Act.

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?

The definition of "airfield activities" is as defined in section 2 of the Act.

Once again, I look forward to receiving your report in due course.

Yours sincerely



Hon John Luxton  
Minister of Commerce