

10 September 2024

Tēnā koe

## **Update on the review of Wellington Airport's 2024-2029 Price Setting Event**

This letter is to advise interested stakeholders of the approach we intend to take to reviewing Wellington Airport's 2024-2029 Price Setting Event (PSE5).

### **Background**

On 7 May 2024 Wellington Airport provided information disclosures on its fifth price setting event, covering the period between 1 April 2024 and 31 March 2029. Under section 53B(2)(b) of the Commerce Act, we must publish a summary and analysis of the information disclosed as soon as practicable.

### **Approach**

We tailor our summary and analysis so that it is reflective of and proportionate to the nature of the airports' price setting events. This approach allows us to be more efficient and responsive to stakeholder needs and priorities.

For our review of Wellington Airport's PSE5, we intend to publish a consultation paper in early 2025, without developing and consulting on a process and issues paper beforehand. Our current high-level view towards the PSE5, based on Wellington Airport's disclosures, is that a process and issues paper would not be necessary.

### **Indicative focus areas for the PSE5 review**

The performance areas of focus in our PSE reviews are guided by the intended market outcomes described in the purpose of Part 4 of the Commerce Act and tailored to the circumstances of individual price setting events. The current regulatory regime has worked well in the past for a PSE process where a robust consultation with the airport's customers has occurred. For Wellington Airport's PSE5, we understand that the Airport largely has support from its substantive customers for its decisions.

Without limiting the potential scope of our review at the outset, we envisage the review of Wellington Airport's PSE5 will largely concentrate on:

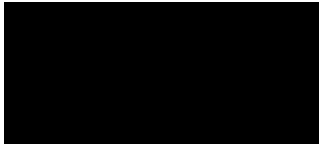
- forward-looking profitability, including an assessment of the target returns; and
- cost of capital.

We may also comment on forecast expenditure and service quality.

We note that a particular area of focus for our review will be Wellington Airport's adjustment to the credit rating in the inputs of the cost of capital calculation for the PSE5 period. Wellington Airport has used a BBB credit rating to estimate the debt premium. We used an A- credit rating in our Cost of Capital determination for Wellington Airport's 2024-2029 Price Setting Event, which is our starting point for assessing Wellington Airport's estimated cost of capital for the PSE5.<sup>1</sup>

If you have any comments on this letter, please email your reply to [infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz) with the subject "Wellington Airport PSE5 Review".

Ngā mihi



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<sup>1</sup> Commerce Commission, [Cost of capital determination for Wellington International Airport Limited's 2024-2029 price setting event \[2024\]](#) NZCC 6.