

21 August 2018

Jo Perry  
Chief Advisor, Compliance and Performance Analysis  
Regulation Branch  
Commerce Commission  
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Dear Jo,

## **Cross-submission on Auckland Airport pricing in light of Christchurch Airport Draft Report**

### **Introduction**

1. BARNZ welcomes the opportunity to make this cross-submission on the issues relating to Auckland Airport that are raised in the Commission's consultation paper *Review of Christchurch International Airport's pricing decisions and expected performance (July 2017 – June 2022)*, dated 19 July 2018.
2. This submission is made on behalf of the airlines<sup>1</sup> which BARNZ has written authority under s2A of the Airport Authorities Act 1966 to represent during consultation over charges with New Zealand Airports.

### **Cost of capital**

3. The method of reviewing Christchurch Airport's target return appears consistent with the method in the Draft Report on Auckland Airport's PSE3 prices. BARNZ supports this consistency and the approach.
4. BARNZ agrees with the Commission that there are no grounds for Auckland Airport to have a similar credit-rating adjustment as was applied by Christchurch Airport.
5. BARNZ agrees with the Commission that the evidence does not support an operating leverage adjustment for Christchurch Airport. We note this was only considered for reasons of consistency with the analysis of Auckland Airport's target return.

### **Review of other regulated services**

6. In the consultation paper, the Commission outlined its intention to explore a different approach to reviewing Christchurch Airport's longer-term negotiated contracts for other regulated services.
7. BARNZ understands that the Commission's intention is to apply the same approach to reviewing other regulated services to both Christchurch and Auckland Airports. BARNZ agrees this is appropriate – we

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<sup>1</sup> Air Calin, Air China, Air Tahiti Nui, Air Vanuatu, Airwork, American Airlines, Cathay Pacific Airlines, China Airlines, China Eastern, China Southern, Emirates, Fiji Airways, Hong Kong Airlines, Korean Air, LATAM Airlines, Malaysia Airlines, Philippine Airlines, Qatar Airways, Singapore Airlines, Tasman Cargo Airlines, Tianjin Airlines, Thai Airways International, United Airlines, Virgin Australia.

see no reason to have different methods for reviewing returns on other regulated services at different major airports.

**Contact details**

8. If you have any questions about this submission, please contact me on 09 358 0696 or at [ian@barnz.org.nz](mailto:ian@barnz.org.nz).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'I. Ferguson', written in a cursive style.

**Ian Ferguson**  
Regulatory Manager