PRIORITIES
2018/19
Priorities 2018/19

The Commission’s vision is to make New Zealanders better off. We believe that New Zealanders are better off when markets work well and consumers and businesses are confident market participants.

Each year we identify priority areas that help us to focus our activity and resources. We publish these priorities to increase the transparency of our work. In addition to these annual priority focus areas, we have areas that we will always prioritise.

Enduring priorities

These are areas the Commission will always consider a priority because of their potential significant impact on consumers, businesses or markets in New Zealand, or because they are core to our statutory role.

In our consumer work we prioritise cases that involve, or have the potential to involve, significant harm to consumers, including product safety and construction cases. Credit issues and those impacting vulnerable consumers are also priority areas because they have a disproportionate impact on those affected.

We prioritise cartel and anti-competitive conduct when it has the potential to have a significant impact on consumers and markets. Merger clearance and authorisation applications are a large part of our competition work. We prioritise these when we receive them, along with investigations we initiate into mergers that could substantially lessen competition, where an application has not been made.

In our regulation work we continue to improve our understanding of the performance of infrastructure industries and share that knowledge with relevant stakeholders. We publish information and reports to improve the transparency of the performance of regulated businesses. We also continue to monitor compliance with regulatory requirements, such as revenue limits and reliability standards, and take enforcement action where necessary.
2018/19 priority focus areas

Addressing consumer harm

Identifying and addressing consumer harm is at the core of our consumer protection work. We aim to detect and stop non-compliant conduct so that we can minimise harm to consumers, in particular to vulnerable consumers. We use a number of tools to detect non-compliance and harmful behaviour and use advocacy and education to make businesses and consumers aware of their obligations and rights under the Acts we enforce.

In 2018/19 we will continue our focus on addressing consumer harm in relation to retail telecommunications and responsible lending and also focus on consumer harm in online retail, motor vehicle sales, and the quality of service provided by electricity distributors. In our competition work we will focus on investigating non-notified mergers that may substantially lessen competition.

Retail telecommunications

Almost every New Zealander uses a mobile or fixed-line phone and broadband, meaning the telecommunications sector has the potential to have a significant impact on a large number of consumers.

We have worked to improve our understanding of the issues faced by consumers, and have started looking at how mobile markets are performing. We have engaged with industry, taken enforcement action, and carried out outreach to help consumers understand the retail services they are purchasing.

This year the areas of service quality that we expect to focus on are billing, contract terms, marketing and switching. In each area, we will continue to use a variety of approaches such as enforcement, constructive engagement with companies to improve compliance, and further consumer outreach initiatives. We also expect to implement new consumer provisions from amendments to the Telecommunications Act, including industry codes to address issues of retail service quality.

Responsible lending

Our focus on responsible lending and the credit sector will remain a priority for 2018/19.

Areas we targeted as a priority last year included high-cost short-term and online lenders, unreasonable credit fees and mobile trader enforcement cases. Our investigations, industry monitoring and outreach activities indicate that there are still lenders failing to comply with the responsible lending principles. By failing to comply, these lenders are not only breaching the law, they are potentially putting people at risk of hardship.

This year we will continue to focus on the conduct that has the most impact on vulnerable consumers. We will continue to enforce the responsible lending principles. These principles require lenders to act reasonably and ethically, for example making reasonable enquiries before signing borrowers up to a loan, to ensure it meets their needs and they can afford to repay it. We will also focus on other issues that negatively impact consumers, such as unreasonable fees and high-cost online lenders.
**Online retail**

New Zealanders’ use of online shopping continues to increase on both domestic and overseas websites. It can be a convenient way to shop and retailers are using a range of digital tools to present greater choice and more tailored offers to consumers.

In 2018/19 we will carry out a range of work to increase our understanding of the issues associated with online purchasing, for both consumers and businesses. We will also look for opportunities to educate businesses about their responsibilities. In the process of increasing our understanding, we will take appropriate enforcement action if we identify areas of non-compliance.

**Motor vehicle sales**

A motor vehicle is often a major purchase and for some consumers it is an important part of improving their financial situation as it provides employment or transport to employment.

We receive a range of complaints about the motor vehicle sector, covering issues such as misleading representations about the quality of motor vehicles, car dealers refusing to provide redress for serious motor vehicle faults, and dealers misrepresenting a consumer’s rights.

We will be looking closely at the systemic issues consumers face when purchasing a car and will take appropriate enforcement action when the law is breached. We plan to increase our advocacy and education efforts with participants in the motor vehicle sales sector.

**Quality of service provided by electricity distributors**

A large part of our regulatory work this year focuses on the quality of service that is provided by electricity distributors. We will be consulting with stakeholders on the revenue limits and quality standards that should apply to electricity distribution networks for the five years from 1 April 2020, with our final decision due in November 2019. We continue to improve the efficiency and effectiveness of each reset. In the next reset we will consider whether ‘no material deterioration’ remains the appropriate basis for the minimum reliability standards. We will also consider whether other dimensions of quality should be monitored alongside the existing reliability measures, such as communication to customers during outages.

In addition to this work, we will be seeking to better understand why some distributors have previously failed to comply with the minimum standards for network reliability and what this tells us about the state of their network. In responding to non-compliance, we will consider our full range of enforcement options.

We plan to continue to improve our understanding of the way that electricity distributors are managing their assets, and what this tells us about the risks to future network reliability and resilience. As part of this, we will undertake a comprehensive review of the 2018 asset management plans provided by electricity distributors under our information disclosure regime.

Alongside this work, the Government is reviewing whether the electricity market is delivering a fair and equitable price to consumers. The Commission will continue to provide assistance to the expert panel carrying out the review.
Investigating non-notified mergers

New Zealand is relatively unique in that it is one of a small number of jurisdictions with a voluntary merger clearance regime. The success of a voluntary regime relies on the credible threat of enforcement proceedings when businesses do not apply for clearance or authorisation for a merger that may substantially lessen competition. In the last two years we have seen an increase in non-notified mergers that we need to investigate further. Over the last year we have opened five investigations into non-notified mergers and will continue to prioritise this work. We will act quickly in these cases to prevent any significant consumer harm or adverse impact on competition in markets.

Legislative change

The Commission has a role in contributing to policy development through the Select Committee submission process or in an advisory capacity to help ensure legislation we implement is workable and effective.

Where changes are made to the legislation we operate under and enforce, the Commission will focus on the resources, people, processes and systems that are needed to enforce the amended law, make businesses aware of their obligations under it, and inform consumers of their rights.

Examples of potential legislative change this year include the introduction of market studies powers, and the criminalisation of hard-core cartel conduct. The Government is also considering changes to legislation, including those relating to credit contracts and the dairy industry.

Implementing changes to the regulatory framework for telecommunications will also be a significant undertaking this year.
Improving our understanding

As an effective competition agency and regulator, we need to understand the operating environment for industries and consumers. Our intelligence gathering and our engagement with stakeholders help us to understand developing markets, changes in consumer and business behaviours, emerging technology and overseas trends.

In 2018/19 we will focus on further increasing our understanding of emerging technology and the digital economy and their implications for consumers, competition and regulation.

For example, in our regulatory work we recognise that emerging technologies like battery storage, electric vehicles and home automation systems have the potential to revolutionise the way New Zealanders live and the types of energy they consume. We want to develop a better understanding of the emerging technologies that electricity distributors are deploying in their networks. This includes understanding how electricity distributors are investing in emerging technologies, and how they are planning and accounting for these investments.

We want to avoid regulation creating a barrier to the uptake of these technologies so that consumers can benefit from the technologies. In addition, we recognise that for competitive energy markets to flourish it is important that regulated monopolies should not have an unfair competitive advantage.

Technological change has long been a feature of telecommunications markets. The adoption of 5G technology and the emergence of network virtualisation will be significant features of telecommunications markets and understanding the implications for competition and regulation of both mobile and fixed-line services will be important for our work in this area.

Digital platforms have been a significant focus in recent merger reviews and this is likely to continue. These platforms can provide efficient market mechanisms and create value for consumers. However, they can also have significant market power associated with network effects and ‘big data’. We will continue to increase our understanding of these markets and the risks and opportunities they offer for competition and consumers. As part of this, we will consider competition and consumer issues that may arise when services are provided for ‘free’.

We will consider whether we need to revise any of our guidance for business and consumers to take account of developments in digital markets.