

Please refer to:

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25 May 2006

Dear

**NZRU Application for Authorisation: Request for Further Submissions Regarding a letter re approach to modelling quality of teams for TV demand for NPC Matches**

As you are aware, the NZRU has made an application to the Commerce Commission, pursuant to section 58 of the Commerce Act 1986, for authorisation of certain proposals including a salary cap and player transfer matters.

The Commission considers it is desirable, so far as it is possible to do so, to attempt to quantify benefits and detriments rather than rely on intuitive judgements in reaching conclusions on whether benefits exceed detriments.

Accordingly, as part of its consultation process, the Commission posted its recent econometric study "*What Drives Television Demand for NPC Matches?*" on its website, and invited interested parties to propose a benefits modelling approach to accommodate the study's conclusion that quality of contest is an important driver of television demand for NPC matches.<sup>1</sup> Submissions received in response did not put forward any benefits modelling approaches directed specifically at the quality of contest aspect. The NZRU submission proposed that:

“...the Commission could confidently apply the same quantification formula to the additional benefits to TV viewers from a more attractive game as adopted previously (in Decision 281) and as referred to in the Brown Copeland reports in the absence of any better or even any alternative approach suggested by any interested party”.

In addition to the approach suggested by the NZRU, the Commission is also exploring an alternative approach to modelling quality of contest in an empirical manner. We have posted on the Commission's website at [www.comcom.govt.nz](http://www.comcom.govt.nz) a brief summary of an alternative modelling approach the Commission is considering in order to attempt to quantify the benefits which may flow to television viewers as a result of players redistributed from “strong” unions to “weak” unions, under the proposed Premier Division Arrangements. This document can be accessed under Public Registers, Anti-Competitive Practices - Authorisation, under NZRU.

The Commission is mindful of NZRU's operational requirements, and its repeated desire that a Final Determination be issued as soon as possible. However, the Commission wishes to

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<sup>1</sup> For a copy of this analysis, see <http://www.comcom.govt.nz/BusinessCompetition/Anti-competitivePractices/Applications/ContentFiles/Documents/Television%20Viewership%20Study.pdf>

give interested parties the opportunity to comment on this alternative modelling approach, albeit within tight timeframes, as set out below.

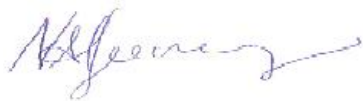
Submissions on the modelling approach outlined in Schedule One should be in writing and reach the Commission no later than 5.00 pm on Monday 29 May 2006. Submissions can either be sent to: email: [nicky.beechey@comcom.govt.nz](mailto:nicky.beechey@comcom.govt.nz), or to:

Nicky Beechey (Chief Advisor)  
Commerce Commission  
P O Box 2351  
Wellington.

If you wish to provide a submission but are unable to do so within this timeframe, please contact me directly by telephone. Further, if you wish to claim confidentiality for any information contained in any submission you make, such information should be included in a confidential appendix with reference to it in the main text.

If there are any matters you would like clarified, or if you require further information, please contact myself (Direct Dial: 04 924 3623) or David Chrystall (Direct Dial 04 924 3763) at the Commission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nicky Beechey', with a long horizontal flourish extending to the right.

Nicky Beechey  
Chief Adviser  
Business Competition Branch