

8 May 2015

Attn: John McLaren  
Manager, Regulation Branch  
Commerce Commission

Dear John

## **Commerce Commission's Draft Analysis of Wellington Airport's Third Price Setting Event**

1. NZ Airports (on behalf of Auckland, Christchurch and Wellington International Airports) provides this brief response to the Commission's request for feedback on its analysis of Wellington Airport's third price setting event.
2. In our view, the Commission's analysis reinforces that information disclosure regulation is effectively meeting the purpose of Part 4 of the Commerce Act 1986. In particular, we are pleased the Commission has recognised that Wellington Airport's decision to re-consult on its prices in response to the section 56G review (and the outcome of that re-consultation) shows that information disclosure is effective at limiting excess profits. We think this is a very clear example of airports' genuine commitment to the regulatory regime, as well as the effectiveness of that regime.
3. More broadly, the Commission's conclusion that Wellington Airport is now targeting returns within an acceptable range follows its earlier conclusions that Wellington Airport is performing well across the range of performance areas monitored under the Part 4 purpose statement. The s 56G report made favourable comments about Wellington Airport's level of innovation, investment and efficiency. We are pleased that the Commission is now satisfied with all aspects of its performance.
4. We think this shows that airports are working hard to strike the right balance, and are striving to deliver quality services for the long-term benefit of customers at fair and reasonable prices. In addition, the summary and analysis produced by the Commission (which has been separate to its s 56G process) should reassure interested parties that airports' future pricing decisions will continue to be subject to regulatory scrutiny, with a threat of further intervention in the event that the Commission makes adverse findings.
5. We are, however, disappointed that BARNZ continues to argue that information disclosure is ineffective and insufficient. This is particularly disappointing where BARNZ' complaints relate to the approach that Wellington Airport took, despite this being appropriate and consistent with information available at the time it reset its prices. For current purposes, it is enough to note that we disagree with BARNZ' comments, and we support the Commission's approach of referencing the information disclosure requirements and the IMs that were in place at the time of an airport's pricing decision.
6. We are optimistic that the Commission's s 53B report is another step towards establishing a clear understanding of the operation of the information disclosure regime. All interested parties now know what to expect from the regime, and regulated airports have shown that they are prepared to adjust their price setting behaviour in light of the available regulatory guidance. What the

sector now needs is a period of regulatory stability. This will provide the main NZ airports with the regulatory environment they need to continue to take commercial risks and undertake investment for the benefit of airports, consumers and New Zealand.

7. We would be pleased to discuss these comments with you further, if that would assist.

Kind regards

Kevin Ward  
Chief Executive  
NZ Airports