



**COMMERCE COMMISSION**

**Decision No. 716**

Determination pursuant to the Commerce Act 1986 in the matter of an application for clearance of a business acquisition involving:

**CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED**

and

**CRADDOCKS CAR STORAGE OWNED AND OPERATED BY  
PMW 2000 LIMITED**

- The Commission:** Mark Berry  
Anita Mazzoleni  
Stephen Gale
- Summary of Application:** The acquisition by Christchurch International Airport Limited of the shares or the business and assets of Craddocks Car Storage, owned and operated by PMW 2000 Limited.
- Determination:** Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance to the proposed acquisition.
- Date of Determination:** 27 January 2011

## **THE PROPOSAL**

1. A notice under s 66(1) of the Commerce Act 1986 (the Act) was registered on 7 December 2010. The notice sought clearance for the acquisition by Christchurch International Airport Limited (CIAL) of the shares or the business and assets of Craddocks Car Storage (Craddocks), owned and operated by PMW 2000 Limited.

### **The Decision**

2. The Commission considers that the proposed acquisition would be unlikely to substantially lessen competition in the market for long term car parking at, or near to, Christchurch International Airport (CIA) due to constraints from existing competition and the potential for new entry into the market.

## **ANALYTICAL FRAMEWORK**

3. The Commission applies a consistent analytical framework to all its clearance decisions.<sup>1</sup> The first step the Commission takes is to determine the relevant market or markets. As acquisitions considered under s 66 are prospective, the Commission uses a forward-looking type of analysis to assess whether a lessening of competition is likely in the defined market(s). Hence, an important subsequent step is to establish the appropriate hypothetical future with and without scenarios, defined as the situations expected:
  - with the acquisition in question (the factual); and
  - in the absence of the acquisition (the counterfactual).
4. The impact of the acquisition on competition is then viewed as the prospective difference in the extent of competition in the market between those two scenarios. The Commission analyses the extent of competition in each relevant market for both the factual and the counterfactual scenarios, in terms of:
  - existing competition;
  - potential competition; and
  - other competition factors, such as the countervailing market power of buyers or suppliers.

## **KEY PARTIES**

### **Christchurch International Airport Limited**

5. CIAL is owned by the Christchurch City Council (75%) and the Government (25%). CIAL provides airport services to airlines together with numerous non-aviation businesses, including airport parking services. CIAL currently operates 1,800 car parks split between short-term, long-term and premium – all these car parks are located within walking distance of the passenger terminal buildings.

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<sup>1</sup> Commerce Commission, *Mergers and Acquisitions Guidelines*, January 2004.

## **Craddocks Car Storage**

6. Craddocks is owned by three individuals through PMW 2000 Limited. It operates a secure car storage facility supplying parking and other value-added services to users of CIA. It is located about 1.5 kilometres from the passenger terminal on land it leases from CIAL and provides a delivery and pick up service to its customers running between its facility and the terminal buildings.
7. Craddocks offers value-added services such as on-site vehicle grooming, vehicle servicing and warrant of fitness, re-fuelling and panel and paint repairs, although it is only the grooming services that have had a substantial take up by its customers. Craddocks operates around [ ] car parks.

## **OTHER PARTIES**

### **Air New Zealand Limited**

8. Air New Zealand operates Koru Valet Parking which is located immediately outside the domestic terminal at CIA. It has capacity for up to [ ] cars, and is predominantly used by business travellers.

### **Other Parking Operators**

9. A number of smaller off-site parking operations exist nearby CIA. These include Waimack Auto Park, Superior Airport Car Storage and North South Airport Car Storage. The Sudima Hotel, which is located near the airport terminal building, has [ ] car parks available free for up to four weeks for its guests.

## **MARKET DEFINITION**

10. There are two types of parking customers at CIA - short-term and longer term parkers. Short-term parkers are also known as “meeters and farewellers”<sup>2</sup> – the term used when air passengers are picked up or dropped off by associates using private vehicles. Longer term parking – or “park and fly” – air passengers park for longer, with trips ranging from same day returns through to several weeks or even months. Longer term parking customers will mostly be starting their journey at CIA, as incoming passengers generally do not require parking at CIA.
11. The area of competition between CIAL and Craddocks relates to long term parking, as CIAL is the only provider of short-term parking. Therefore, in considering this application, the Commission has focussed on the potential impact of the acquisition on long term parking customers.
12. The Commission recognises that there is also a range of alternative methods for travellers to get to or from the airport, including rides from meeters and farewellers, taxis, shuttles, public bus, and rental cars. However, taxis would be prohibitively expensive for long distance travel to CIAL and shuttles and buses may be inconvenient and impractical for passengers with, for example, large

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<sup>2</sup> At CIAL, this includes customers that use the free drop off/pick-up zone and the free 15 minutes of car parking. The Commission also considers that customers who park for less than two hours at the airport are likely to be meeters and farewellers, as the time spent in the car park is insufficient for them to be parking and flying themselves. Data provided by CIAL shows that around [ ] of passengers arrive and depart from the airport using this method.

amounts of luggage. Also, many parking customers would not have associates to “meet and farewell” them for every journey. The proportion of CIAL passengers using the various options is shown in Figure 1.

**Figure 1: Proportion of travellers using transport options to and from CIAL[**

*]From information provided by CIAL.*

13. The Commission, taking a conservative approach, has adopted a long term car parking market. If there are no competition concerns in this narrow market then there also would be none in a more broadly defined market (perhaps a market for travel to the airport as suggested by CIAL in its application for clearance).
14. The geographic dimension of the market appears to be limited to an area at, or near to, the airport. Passengers prefer to have easy and timely access to their chosen mode of transport from the airport. For off-site car parking this generally includes a transfer between the terminal and the car park facility; however, it is unlikely that customers would be willing to endure a lengthy connecting journey to their vehicle. Existing offsite airport car parks appear to be no more than about five minutes drive from the airport terminal.

#### **Conclusion on Market Definition**

15. In this instance, the Commission considers that the relevant market is that for long term car parking at, or near to, CIA.

#### **COUNTERFACTUAL AND FACTUAL**

16. CIAL advised that if the acquisition proceeds it will continue to operate Craddocks as a going concern. CIAL advised that part of the rationale for the purchase was to acquire Craddocks’ brand, reputation and expertise. The Commission therefore considers that in the factual scenario CIAL would continue to operate parking services both near the terminal and on the CIAL land currently occupied by Craddocks.
17. Craddocks advised that if the acquisition does not go ahead, it will continue to operate its parking business. Accordingly, the Commission considers that the likely counterfactual would be the status quo.

## COMPETITION ANALYSIS

### Existing Competition

18. The combined entity would have a significant market share in the market for long term parking at or near CIA, as shown in Table 1.

**Table 1: Market share for paid parking at or near CIA**

Competitor	CIAL's estimates of market share by proportion of passengers (%)	Estimated market share by capacity (%)
CIAL	[ ]	[ ]
Craddocks	[ ]	[ ]
<i>Combined entity</i>	<i>[ ]</i>	<i>[ ]</i>
Air New Zealand	[ ]	[ ]
Other	[ ]	[ ]
<b>Total</b>	<b>100</b>	<b>100</b>

Based on information provided by CIAL, Craddocks and Air New Zealand Limited.

19. Post-acquisition, the major competitor of CIAL would be Air New Zealand. Air New Zealand's Koru Parking is primarily used by its Koru club members, although parking may be available to other customers when space permits. While Air New Zealand has [ ] car parks available to it in total, the major impediment to it expanding its current operation is the limited number of parking spaces it has allocated to it near the terminal – [ ] where parkers drop off and pick up their vehicles. According to Air New Zealand, this limited number of spaces can be a bottleneck at peak travelling times. Nevertheless, the Commission considers that Air New Zealand will provide some competitive constraint on CIAL post-acquisition as it provides a premium service that is valued by its customers, including additional services such as car grooming.
20. There are a number of smaller car parks located in the near vicinity of the airport on private land. These include Waimack Auto Park, Superior Airport Car Storage and North South Airport Car Storage. The operations are significantly smaller than CIAL and Craddocks and are located further from the terminal than is Craddocks. Nevertheless, should CIAL increase its parking prices post-acquisition, this would provide these operations with the commercial opportunity to increase their capacity utilisation, or increase their total capacity (subject to the availability of a resource consent). As such, the Commission considers that these operators will provide some competitive constraint on CIAL post-acquisition.
21. Two other operators – All Secure Self Storage and Car Canterbury Storage – also exist, but as they are located a greater distance from the airport, they appear to provide less of a competitive constraint.
22. Another alternative long term parking facility is the Sudima Hotel which has approximately [ ] car parks and is located on leased CIAL land close to the terminal. Sudima offers up to four weeks free parking for guests who stay at the hotel for at least one night. Sudima does not offer a 'parking only' product

[ ]

23. The Commission also recognises the constraint from the other transport options available to passengers. While these options lie outside the relevant market, should CIAL increase prices post-acquisition it is likely that some of its parking customers would switch to alternative transport options. Therefore, the Commission considers that alternative transport options would provide some competitive constraint on CIAL post-acquisition.
24. In summary, the Commission considers that existing competition will provide a degree of competitive constraint on CIAL post-acquisition.

### **Potential Competition**

25. CIAL submitted that potential entrants could readily enter the market should the opportunity arise. The Commission broadly agrees with this statement.
26. The requirements for entry into the parking market are fairly rudimentary, with the most significant requirement being suitably located land from which to operate. The Commission's investigations have shown that there is currently an abundance of land available for lease or purchase near to the airport.<sup>3</sup> CIAL itself has land available for lease, and has advised the Commission that this could be leased to a new parking entrant under a suitable commercial arrangement.
27. Moreover, a number of other non-airport owned sites have been identified as for sale or lease, with some of these sites already having the infrastructure for a parking business (existing concrete or asphalt pad surrounded by a fence) as well as being zoned for business use.<sup>4</sup> The zoning designations of such sites mean that resource consents, if required at all, would be non-notified and could be processed within 20 working days. Nearby rurally zoned land would require appropriate resource consents which would be less likely to be issued given the abundance of more suitably zoned (i.e. business zoned) land available.
28. Nearby hotels and motels with additional parking space also present a potential competitive constraint, whether they were to enter the market as a "park and ride" operator or offer free parking for departing guests (similar to the Sudima Hotel).
29. The abundance of recent entrants to the airport parking industry in Auckland provides an illuminating comparison. On the back of growing passenger volumes through Auckland International Airport (AIA), numerous parking operators have entered the market capturing around [ ] of the parking market from sites near to AIA's land. These parking operations range from small family firms through to a large multinational parking firm.

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<sup>3</sup> Suitable available land includes sites on Memorial Avenue, Abros Place, Wairakei Road, Sheffield Crescent and off or near State Highway 1.

<sup>4</sup> According to the Christchurch City Council *City Plan*, business zoned land near the airport fall in the Business 4 (Suburban Industrial) Zone or Business 6 (Rural Industrial) Zone. Both of these designations would be suitable for a business such as car storage.

30. Passenger numbers at CIA have increased significantly in recent years,<sup>5</sup> and with the addition of new international flights,<sup>6</sup> such growth is likely to continue. This presents opportunities for a new entrant to enter the parking market.
31. The Commission is therefore of the view that potential entry would provide a significant competitive constraint to CIAL post-acquisition.

### **Vertical Integration**

32. Industry participants raised concerns with the Commission that, as CIAL is able to determine the terms under which its competitors and their customers can access the terminal, post-acquisition CIAL may have the ability and incentive to foreclose or frustrate competitors and potential entrants.  
[

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33. However, the Commission considers that the incentives facing CIAL do not change significantly in the factual and counterfactual scenarios. CIAL has until now, facilitated unimpeded access to the terminal for its parking competitors.  
[

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34. Moreover, given CIAL's incentive to increase passenger patronage of its airport, it would appear to be in its commercial interests to continue to allow alternative parking operators access to the terminal.
35. Concerns were expressed to the Commission that should the acquisition go ahead CIAL may impose access fees, similar to AIA, which may unduly harm competitors. However, the Commission's investigations found that other parking operators near AIA are allowed free and unencumbered access to the terminal despite competing with the airport's own parking operations. AIA considers it a competitive market and, also stated it has a commercial interest in maximising the airport's passenger throughput.
36. In summary, the Commission considers that the vertical effects arising from the acquisition are unlikely to lead to a substantial lessening of competition.

### **OVERALL CONCLUSION**

37. The Commission has considered the probable nature and extent of competition that would exist, subsequent to the proposed acquisition, in the market for long term car parking, at or near, Christchurch International Airport.
38. The Commission considers that the combination of existing competition and the potential for new entry is such that CIAL would face significant competitive constraints post-acquisition.

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<sup>5</sup> Total passenger movement grew from around 5.5 million in the year to June 2006 to 6 million for the year to June 2010.

<sup>6</sup> For example, Singapore Airlines has announced it will increase its flights from Christchurch from five days per week to a daily service from March 2011, and Air Asia will begin flying to and from Kuala Lumpur four days per week from April 2011.

39. Therefore, the Commission is satisfied that the proposed acquisition will not have, nor would be likely to have, the effect of substantially lessening competition in the relevant market.



## **DETERMINATION ON NOTICE OF CLEARANCE**

40. Pursuant to section 66(3)(a) of the Commerce Act 1986, the Commission determines to give clearance for the proposed acquisition by Christchurch International Airport Limited of the shares or the business and assets of Craddocks Car Storage, owned and operated by PMW 2000 Limited.

Dated this 27<sup>th</sup> day of January 2011

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Dr Mark Berry  
Chair