



3 July 2012

9 JUL 2012

Dr Mark Berry
Chair
Commerce Commission
PO Box 2351
Wellington 6140

Dear Dr Berry

AIRPORT CHARGES AND REGULATION

Dunedin International Airport Limited (*DIAL*) wishes to make a brief submission in relation to the Commerce Commission's (*Commission*) review of information disclosure regulation.

As you will be aware, DIAL is not subject to the information disclosure regulation. For this reason we do not comment on the performance of the regulation or the airports subject to it.

However, you may also be aware that Air New Zealand has publicly criticised the recent pricing decisions made by several airports, including DIAL. We make this brief submission to put those criticisms in context.

First, our shareholders have been very patient. Prior to our pricing decision at the end of 2011 we had not changed our prices since 2001. Since 2001 we have upgraded our terminal in 2005 and 2006 (in consultation with our airline customers). Yet prices had stayed fixed at 2001 levels and declined in real terms. Looking ahead, we are currently investing in our runway and aircraft gate areas to 2016.

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Second, our pricing uses the Commission's framework. This was a deliberate choice to reduce the scope for disputes. Our opening asset valuations, WACC, cost allocation methodology, tax treatment, etc, are all consistent with the Commission's input methodology decisions. The only departure was in our decision to *not* revalue land assets going forward, which again was aimed at reducing the scope for disputes and will not result in any additional benefit to DIAL.

In short, our price increase was long overdue (5 years after the completion of our new terminal) and consistent with the Commission's framework.

We submit that the claims by Air New Zealand that airport price decisions are "extortionate" and "not justified" must be considered against this background.

I would be happy to discuss these matters further with you.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'John McCall', with a stylized, cursive script.

John McCall
Chief Executive
Dunedin International Airport Limited

cc Minister of Transport; Minister of Commerce