

18 July 2023

By email to IM.Review@comcom.govt.nz

Vhari McWha
Commissioner
Commerce Commission
WELLINGTON

Dear Vhari McWha

We write in support of NZ Airports' submission to the Input Methodologies Review.

The Commission's Input Methodologies for Auckland, Christchurch and Wellington Airports set a reference point for the pricing decisions at all airports in the air transport network. The Commission's approach to Input Methodologies is therefore a major issue for local governments and airports as key owners of this critical regional infrastructure around New Zealand.

Airports provide services within an increasingly complex operating environment. Ongoing investment in infrastructure is required to address climate change, build resilience to severe weather events, implement new technology including for alternative fuels, and ensure terminals, runways and related facilities are safe, right-sized and meet international standards for consumers and local communities.

The scale and cost of this development is significant. It is critical that airport owners are able to recover costs through appropriate pricing and seek private investment where possible.

The Commission's draft decisions will significantly change its approach to setting asset beta and materially reduce the Commission's regulatory cost of capital. We understand that this is because the Commission considers that the risk exposure of airports in New Zealand should be benchmarked against large international hub airports. As owners and operators of small regional domestic airports that suffered greatly during the pandemic lockdowns, we are very concerned that airport pricing decisions throughout the country will be constrained by input methodologies that in no way accommodate the risks and challenges facing regional airports as they seek to maintain vital connections to and from the communities they serve.

We are also worried that the increased uncertainty in the regulatory system will undermine the confidence of asset owners and investors that are impacted by the Commission's regulatory decisions. We are concerned that the Commission's approach will make it more difficult for us to invest in a sector where it is already a significant challenge to maintain and upgrade assets.

We encourage the Commission to revise its approach.

Yours sincerely


Grant Lilly
Interim Chairman