

24 October 2023

To: Jo Lipscombe
Acting Input Methodologies Manager
Commerce Commission
44 The Terrace
Wellington 6140

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

Re: Proposed change to effective dates in the draft Airport IM amendment determination for the IM Review

Kia ora Jo,

Thank you for the opportunity to submit on proposed changes to effective dates in the draft Airport IM amendment determination for the IM Review.

BARNZ represents 26 airlines flying to, from and within New Zealand, along with ground handlers and other businesses who serve airlines. Our members are customers of regulated airports.

Airlines pay prices as set by regulated airports. Regulated airports are able to set prices for airlines which include the costs of operating and investing in aeronautical infrastructure, as well as a target return on aeronautical capital, or weighted average cost of capital (WACC). The target WACC is informed by the relevant Input methodologies (IMs), which inform the Commission's most recently published airport WACC. The IMs and associated published airport WACC form a clear baseline from which airports may justify departure, such that this departure does not represent excess profit taking.

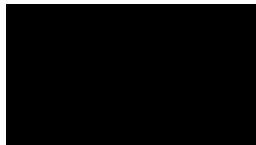
Regulated airports Price Setting Events (PSEs) generally lead to new prices being charged within one month. In other words, a regulated airport will plan for opex and capex, set a target return, and charge those prices immediately.

In recent months, Christchurch Airport's PSE4 has been reviewed by the Commission, and Auckland Airport's PSE4 is now being reviewed. Auckland Airport was able to consider both 2016 IMs and draft 2023 IMs when setting prices. Airlines are already paying prices as set by these airports. Wellington Airport is now commencing price consultation. BARNZ agrees with the Commission that the policy effect of the proposed IM changes should come into effect as soon as possible. Given that prices set by regulated airports are payable immediately, it makes sense to allow for IM changes to come into effect immediately.

In this way, the Commission is able to use the 2023 IMs to determine WACC assessments after that date, which are then able to be considered by regulated airports when setting prices. Any other option simply delays the policy intent of changes well beyond time.

As always, BARNZ welcomes any questions the Commission may have.

Ngā mihi



Cath O'Brien
Executive Director
Board of Airline Representatives New Zealand