



16 October 2023

Jo Lipscombe
acting Input Methodologies Manager
New Zealand Commerce Commission

By email: im.review@comcom.govt.nz

Dear Jo,

RE: Part 4 Input Methodologies Review 2023 – Qantas Group Response on Input Methodologies Effective Date

The Qantas Group (**Qantas**) appreciates the opportunity to provide a response regarding the Effective Date of the decision in Input Methodologies, and supports the Competition Commission implementing the decision as promptly as possible.

We ground our position broadly within three sections of the Commerce Act whose intentions we believe are best met by an immediate implementation.

Section 52A of the Commerce Act 1986 defines the purpose of NZCC's price regulation activities as promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—

- have incentives to innovate and to invest, including in replacement, upgraded, and new assets;
- have incentives to improve efficiency and provide services at a quality that reflects consumer demands;
- share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
- are limited in their ability to extract excessive profits.

Achieving the right price level in regulated industries is a key balancing factor in achieving the purposes in 52A as it ensures the right incentives are in place to invest and deliver services without over-investment or over-delivery. That in turn delivers value-chain macroeconomic and consumer benefits to New Zealand and the default position should be to maximise those with early implementation.

Section 3A requires consideration of efficiencies when assessing public benefit. We expect that this would include allocative as well as productive efficiencies.

By accurately provisioning for airport rewards, an IM update will improve allocative efficiency in the NZ investor markets and help to ensure that capital is spent where it delivers the greatest value. The sooner this happens, the better for the New Zealand economy.

Section 52R of the Act lays out the purpose of the Input Methodologies in providing certainty around rules and requirements applying to the regulation or proposed regulation of goods and services.

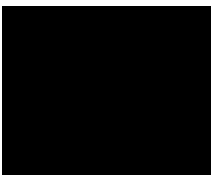
Early decision implementation will also improve certainty, inform efficient investment decisions and ensure that capital plans are based on a concrete view of future rewards. Given the scale of capex planned in the airport sector, the associated risks to the health of the aviation sector and the wider economy, it is particularly important for all parties involved that the NZCC provides certainty early, mitigates the costs/opportunity costs of uncertainty and enables all value-chain participants to optimize their investment plans appropriately.

The intentions of 3A, 52A and 52R call for an immediate rather than a deferred implementation.

Qantas encourages the Commission to implement the decision as soon as it is known.

Thank you, again, for the opportunity to respond.

Yours faithfully,

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Seb Mackinnon
Head of Commercial Airports