

24 August 2023

Dear stakeholder

### **IM Review 2023 Cost of capital: Invitation to cross-submit on specific matters**

The purpose of this letter is to invite cross submissions on specific parts of an expert report provided at the cross-submission stage of the Input Methodologies Review 2023 draft decisions.

The expert report, “Review of submissions on asset beta estimates for airports” (9 August 2023), provided by Competition Economics Group (CEG) for New Zealand Airports Association (NZ Airports Association), included new empirical analysis that does not focus on matters raised in submissions.<sup>1 2</sup>

The new information provided was the empirical analysis at section 6.2, which provides a statistical analysis of asset beta against various risk criteria, including the number of routes.

The expert report also claimed that other parties have made errors or been inconsistent in their analysis.<sup>3</sup> Specifically:

- At paragraph 10, the expert report claimed that Qantas made errors in the calculation of aeronautical revenue shares, and made selective use of data, when it analysed the correlation between asset beta and percentage of aeronautical revenue.
- At paragraph 30, the expert report claimed that TDB Advisory has been inconsistent in its advice about whether the comparator sample should use small airports or airports from developed countries.
- At paragraphs 75-79, the expert report claimed that it is likely TDB Advisory made an error in its application of the Flint method of identifying the effects of a pandemic on the asset beta.

Having had regard to the claims that errors or inconsistencies in analysis have been made in submissions, as well as to the new information provided in section 6.2 of CEG for NZ

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<sup>1</sup> Competition Economists Group for New Zealand Airports Association “Review of submissions on asset beta estimates for airports” (9 August 2023), section 6.2.

<sup>2</sup> In our draft decisions on the Input Methodologies Review 2023 we stated that “cross-submissions should only focus on matters raised in submissions” and strongly discouraged stakeholders from raising new matters via cross-submissions. See Commerce Commission “Cost of capital topic paper: Part 4 Input Methodologies Review 2023 – Draft decision” (14 June 2023), para 1.20.

<sup>3</sup> Competition Economists Group for New Zealand Airports Association “Review of submissions on asset beta estimates for airports” (9 August 2023), para 10, 30, 75-79.

Airports Association's expert report, we have decided to treat this material as a late submission.

We now invite cross-submissions specifically on:

1. the material in section 6.2 and
2. any material relating to the errors and inconsistencies claimed in paragraphs 10, 30, 75-79 by CEG for NZ Airports Association's expert report.

**Cross-submissions are due by 5pm on Thursday 7 September 2023**

We are not inviting views on other aspects of CEG for NZ Airports Association's expert report. We will not have regard to any views provided on material outside of the errors and inconsistencies claimed in paragraphs 10, 30, 75-79, and the analysis presented in section 6.2, of CEG for NZ Airports Association's expert report that are received in response to this consultation.

Please send your cross-submissions to the Input Methodologies Review 2023 mailbox ([IM.Review@comcom.govt.nz](mailto:IM.Review@comcom.govt.nz)) addressing Geoff Brooke. Please clearly indicate in your email subject line and cross-submission that your cross-submission relates to CEG for NZ Airports Association's expert report.

We request that cross-submitters clearly confirm in their cross-submission and covering email that the cross-submission can be published on our website and does not include confidential information. If your cross-submission does include confidential information we set out our process below.

**Confidentiality**

The protection of confidential information is something the Commission takes seriously. If you need to include commercially sensitive or confidential information in your cross-submission, you must provide us with both a confidential and non-confidential/public version of your cross-submission that are clearly identified. We intend to publish the non-confidential/public version of all cross-submissions we receive on our website.

You are responsible for ensuring that commercially sensitive or confidential information is not included in a public version of a cross-submission that you provide to us.

All cross-submissions we receive, including any parts of them that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reason existed under the Official Information Act 1982 to withhold it. We would normally consult with the party that provided the information before we disclose it to a requester.

We thank the many submitters that have engaged with and respected our submission and cross-submission process in the Input Methodologies Review 2023. We look forward to receiving your cross-submissions, limited to the specific matters referenced in this letter, by 7 September 2023.

Ngā mihi nui,

Charlotte

**Charlotte Reed** ([She/Her](#))

**Manager – Input Methodologies**

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Encl. [NZ Airports Association - CEG: Review of submissions on asset beta estimates for airports - Cross- submission on IM Review 2023 Draft Decisions - 9 August 2023](#)