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Review of Auckland and Christchurch Airport's third price setting events – cross-submission on process matters

Dear Jo,

1. Thank you for the opportunity to respond to cross submissions on the process and issues paper, *Have your say on the review of Auckland and Christchurch Airport's third price setting events (July 2017 – June 2022)*. This cross submission relates only to matters of process, scope and timeframes. We will also cross submit on issues raised. No part of this submission is confidential.

Scope of the review

2. The Commission notes in its process and issues paper that a review under 53B(2) of the Commerce Act 1986 ("**Act**") should '*promote greater understanding about the performance of each airport, and that the Commission is able to determine which areas should be in focus.*' Air New Zealand agrees, and was pleased to note the wide-ranging questions asked by the Commission in its process and issues paper.
3. The response in submissions from airport companies and the Airports association are almost entirely targeted at restricting the scope of the Commission's review, with one exception, discussed below at paragraph six.
4. It is clear this is an attempt to restrain the Commission's review parameters to protect the airports commercial position from risk. The reason specified airports are regulated under Part Four of the Act is to ensure those airport companies do not excessively weight profit taking over the provision of infrastructure and services which are in the long-term interest of consumers.
5. The Commission's review under 53B(2) should do all it can to achieve the purpose of the Act; not, as suggested by the NZ Airports Association (**NZAA**), run a review to

confined parameters.¹ Air New Zealand cannot support this attempt to limit the Commission's powers of review under the natural meaning of s53(B).

Inclusion and assessment of quality, innovation and efficiency

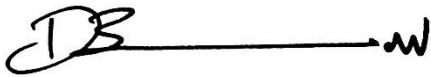
6. As noted in our submission, Air New Zealand considers that the Commission's review should include consideration of quality, innovation and efficiency. Put simply, prices cannot be meaningfully reviewed in the absence of consideration of the quality of the service that were charged for. We are pleased to note the NZAA submission, supported by all three specified airports, supports the inclusion of quality, innovation and efficiency as part of a review of prices.²
7. It is true that information disclosed annually by specified airports provides metrics for review of the performance of specified airports. Air New Zealand encourages the Commission to also consider the broader picture of service quality at airports.
8. In particular, the Commission should include in scope those service quality matters which have and will impact end consumers, who cannot input into pricing consultation for PSE3. As the Commission is now aware, airlines are restrained from communicating with anyone on matters raised during price consultation, even on significant matters such as future terminal investments.
9. The service quality experienced by travellers is impacted by the capital investment airports make in aeronautical infrastructure. AIAL's delay in planning for and delivering an improved terminal facility is the item which has the single largest impact on consumers of aeronautical services at that port. Congestion evident in the true aeronautical aspects of the terminal and surrounding infrastructure at Auckland has given rise to cost, delay and a degraded customer experience to users of the airport facilities. The terminal investment now being made has continued to focus on improving retail offerings that overwhelmingly benefit the airport shareholder more than the airport consumer.
10. When considering quality, efficiency and innovation, Air New Zealand encourages the Commission to take a view that encompasses the real experiences of consumers as well as the carefully prepared information disclosure from specified airports. This assessment should be balanced against disclosed information metrics.
11. Air New Zealand supports the submissions made by BARNZ, in particular their assessment of operational costs of specified airports. The Commission is well placed to complete such assessments of efficiency as part of its required review of information disclosure.

¹ NZAA submission paragraph 5(c)

² NZAA Submission paragraph 14

12. We welcome questions from the Commission on any matters raised in this submission.

Regards,



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Air New Zealand