

## Media Release

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### **Commission issues draft report on Auckland International Airport**

The Commerce Commission has today released its draft of a report to the Ministers of Commerce and Transport on the effectiveness of the information disclosure regulatory regime under Part 4 of the Commerce Act in relation to Auckland International Airport.

The Commission is required to provide its report to the Ministers in respect of each of the regulated airports as soon as practicable after any new price for a regulated service has been set. Auckland Airport set new prices on 7 June 2012.

“Our draft finding is that information disclosure regulation has had a positive influence on Auckland Airport’s behaviour. Notably, it has been effective in limiting Auckland Airport’s ability to extract excessive profits,” said Commerce Commission Deputy Chair Sue Begg.

“Auckland Airport has made a number of positive changes to its price setting approach during the short time information disclosure regulation has been in place,” said Ms Begg. “Auckland Airport’s expected return of 8% per annum for the 2013-2017 pricing period, is just within our estimated range of a reasonable return of 7.1% to 8.0%. Auckland Airport has also improved the way it sets prices to collect revenue for different services and from different consumers. Quality generally reflects the demands of airlines and passengers, and innovation levels seem appropriate,” said Ms Begg.

The review does not make any recommendations about whether regulation other than information disclosure should apply to Auckland Airport (or whether information disclosure should continue to apply). This is outside of the scope of the review required by the legislation.

The full draft report is available at <http://www.comcom.govt.nz/section-56g-reports/>. Written submissions are welcome. Submissions should be sent to [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz) by

5pm on 31 May 2013. Cross-submissions are due by 5pm on 14 June 2013. The Commission's final report to the Ministers about Auckland Airport has a target completion date of 31 July 2013. The report for Christchurch Airport will be completed later this year. The final report for Wellington Airport was completed in February 2013.

## **Background**

### *What is information disclosure regulation?*

Information disclosure is the most light-handed type of regulation available under Part 4 of the Commerce Act 1986. Wellington, Auckland and Christchurch International Airports are subject to information disclosure regulation. Information disclosure regulation requires certain information to be disclosed publicly by the suppliers of goods or services regulated under Part 4. Information disclosed includes financial statements, asset values and valuation reports, prices and pricing methodologies, plans and forecasts, and quality performance statistics.

The information required to be disclosed is set out in a determination made under s 52P of the Commerce Act. We determined the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010 on 22 December 2010. It took effect on 1 January 2011.

For more information on the disclosure requirements, including our reasons, visit <http://www.comcom.govt.nz/airports-information-disclosure/>

### *What are input methodologies?*

Input methodologies are the upfront rules and processes of regulation set by the Commission which underpin Part 4 regulation. For example, input methodologies concern things such as the valuation of assets, the treatment of taxation, the allocation of costs, and the cost of capital. We first published input methodologies for Auckland, Christchurch and Wellington Airports in December 2010.

To set information disclosure requirements, we are required to apply the relevant input methodologies. The airports, on the other hand, only have to apply our input methodologies for information disclosure purposes. Our input methodologies did not, and continue to not, apply to the airports' powers and functions under the Airports Authorities Act 1966 (AAA), which includes setting charges/prices for airport services. Auckland Airport is challenging a number of the Commission's input methodologies in the High Court.

For more information on input methodologies, including our reasons, visit <http://www.comcom.govt.nz/input-methodologies-2/>

### *Which airport services are regulated?*

Information is required to be disclosed about only some of the services provided by the three airports. The services are: aircraft and freight activities, airfield activities and specified passenger terminal activities (refer s 56A(1) of the Commerce Act). Each of these services is defined in section 2 of the AAA. These definitions are quite broad and include non-exhaustive lists of the types of activity that are considered to fall within each of these categories. Section 56A(1)(d) of

the Commerce Act provides for other airport services to be regulated under Part 4, if required. At present other services, such as car-parking and retail, are not regulated under Part 4.

Prior to information disclosure regulation under Part 4, these airports were subject to information disclosure regulation under the AAA.

*What is our task under s 56G of the Commerce Act?*

Section 56G(1) requires the Commission to review the information disclosed under information disclosure regulation and report to the Ministers of Commerce and Transport on how effectively that regulation is promoting the Part 4 purpose. We are to carry out this review and report to the Ministers as soon as practicable after a supplier sets any new price for an airport service regulated under Part 4 of the Commerce Act in or after 2012. We must consult with interested parties in preparing our reports.

*What is the purpose of Part 4?*

The purpose of Part 4 is to promote the long-term benefit of consumers. It does this by promoting outcomes that are consistent with outcomes that are produced in competitive markets such that Auckland Airport:

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

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