



COMMERCE COMMISSION

Price Control of Airfield Activities

J2773
A98/2

Information Paper 3 August 1998

INTRODUCTION

Pursuant to section 54 of the Commerce Act 1986 (the Act), the Minister of Commerce (the Minister) has required that the Commerce Commission (the Commission) report to him on whether he should recommend to the Governor-General that an Order in Council be made declaring that the prices for certain goods or services be controlled in accordance with the Act by 14 December 1999.

The goods or services specified by the Minister are **airfield activities** as defined in the Airport Authorities Amendment Act 1997. Airfield activities:

“means the activities undertaken (including the facilities and services provided) to enable the landing and take-off of aircraft; and includes-

- (a) The provision of any one or more of the following:
 - (i) Airfields, runways, taxiways, and parking aprons for aircraft:
 - (ii) Facilities and services for air traffic and parking apron control:
 - (iii) Airfield and associated lighting:
 - (iv) Services to maintain and repair airfields, runways, taxiways, and parking aprons for aircraft:
 - (v) Rescue, fire, safety, and environmental hazard control services:
 - (vi) Airfield supervisory and security services:

- (b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime):”

The Commission sought submissions on its proposed process and preliminary issues during June 1998, and it received eight written submissions. This paper outlines the Commission’s approach and timetable for conducting the price control study.

REPORT REQUIREMENTS

Pursuant to section 54 of the Act, the Minister has required the Commission to report on the following matters:

- “A whether there is evidence that airfield activities provided by the three major international airports (Auckland, Wellington and Christchurch) are supplied or acquired in a market in which competition is limited or is likely to be lessened; and it (is) necessary or desirable for the prices of these goods or services to be controlled in accordance with the Act in the interests of users, or consumers, or as the case may be, suppliers; and
- B whether market conditions are such that the Commission believes that (the Minister) should recommend to the Governor-General that he make an Order in Council under section 53 of the Act invoking price controls over charges for airfield activities at the three major international airports.”

Specific matters which the Commission is required to consider and report to the Minister on are:

- “1. Whether charges should be introduced for airfield activities at one or more of the three major international airports.
2. If the Commission is of the view that price control should be introduced, to which (i) regions, areas, or localities in New Zealand; (ii) quantities, qualities, grades, or classes; and (iii) different persons or classes of persons, should price control be applied?
3. What conditions, tests, or thresholds does the Commission consider would be useful in judging whether (i) airfield activities are or will be supplied in a market in which competition is limited or likely to be lessened; and (ii) it is necessary or desirable for the prices of airfield activities to be controlled in accordance with the Act.

If price control was introduced (i) what form of price control would the Commission apply; (ii) and why; (iii) how would the Commission operate this form of price control; and (iv) what time and/or in what conditions should price control end?”

COMMISSION’S APPROACH

The Commission has determined that the price control study of airfield activities will closely follow the processes and procedures used by the Commission for authorisations.¹ This will involve the following sequence of steps:

¹ The authorisation process and requirements for a conference are specified in Part V of the Act.

- A preliminary phase during which the Commission will undertake information gathering, basic monitoring of prices for airfield activities, work on market definition and competition analysis, and identification and researching of key issues;
- A formal phase of the price control study commencing on 2 August 1999;
- Formal submissions from interested parties to be submitted by 27 August 1999;
- Preparing a draft report identifying issues on which the Commission requires further information, analyses or submissions by 10 September 1999. The draft report would be similar in purpose to the draft determination issued as part of the authorisation process;
- making available the draft report to interested parties and seeking further submissions from them and, if appropriate, from other parties;
- convening a conference in a similar format to that undertaken for an authorisation and hearing additional submissions from interested parties, their counsel and experts. As with authorisation applications, confidential information will be protected by appropriate confidentiality orders and restrictions; and
- undertaking further investigation as appropriate, completing the Commission's report, and providing this to the Minister.

The Commission may commence the study at an earlier or later date, consistent with meeting the Minister's reporting deadline of 14 December 1999, if it considers this appropriate. Under the provisions of the Act the Minister is responsible for the publication of the Commission's report.

INTERESTED PARTIES

The Commission will maintain a register of interested persons in accordance with the processes and procedures used by the Commission for authorisations.

TIMETABLE

The timetable for the Commission's price control study is:

2 August 1999	Formal phase of study commences
27 August 1999	Submissions due from interested parties
10 September 1999	Commission's draft report released
1 October 1999	Submissions from interested parties due on draft report
8 October 1999	Expert's reports due from interested parties
28 - 29 October 1999	Conference on draft report
19 November 1999	Final Report completed

The Commission reserves the right to alter, at its discretion, the above timetable, if it considers it necessary.

USE OF ELECTRONIC COMMUNICATIONS

The Commission considers that the use of the Internet and similar facilities will improve the availability and timeliness of information during both the preliminary phase and formal phase of the airport price control study. The Commission will therefore require copies of all submissions and documents to be provided, where possible, in electronic format and will distribute these to others on a similar basis. In addition, the Commission will require all substantive or important documents to be provided in hard copy format. Confidentiality rules will apply in the case of sensitive material published electronically or distributed in hard copy format.

The Commission requires electronic information to be provided in Adobe Acrobat format (.pdf) and uses Microsoft Word (.doc).

CORRESPONDENCE

Correspondence to the Commission can be sent to:

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Or by fax to (04) 4710771 or E-mail to {airports@comcom.govt.nz}.

Commerce Commission

3 August 1998