



The Role of the Commerce Commission

Paula Rebstock
Chair

Commerce Commission
New Zealand Centre for Public Law
Victoria University
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COMMERCE COMMISSION

Today's presentation



- The Commission's role, and my role
- Examples of our work
 - Qantas/Air NZ
 - Electricity regulation
 - Cartels
- The challenges we face



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The Commission's work

- New Zealand's primary competition agency
- Independent Crown entity
- “To promote dynamic and responsive markets so that New Zealanders benefit from competitive prices, better quality and greater choice.”



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Our legislation

- Commerce Act
- Fair Trading Act
- Electricity Industry Reform Act
- Dairy Industry Restructuring Act
- Telecommunications Act
- Credit Contracts and Consumer Finance Act



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Strategic Review – the results

- Changes to how Commissioners worked and made decisions
- External reviews to improve performance: first was Legal Service Review
- Developed a three-year Strategic Plan



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The changing environment

- Globalisation
 - Jurisdictional issues
 - Need to cooperate internationally
 - Exposes businesses to international competition

- Technology
 - Electronic transactions and records
 - New ways to obtain, collate, interpret evidence



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Qantas/Air NZ

- Proposed strategic alliance, Qantas to acquire up to 22.5% of Air NZ shares

- Proposed benefits:
 - Efficiencies/economies of scale
 - More flights, more destinations
 - Increased tourism

- Possible detriments:
 - Reduced efficiency
 - Higher fares
 - Reduced innovation



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Qantas/Air NZ decision

- Application for authorisation declined
- Detriments outweighed benefits
- Claimed tourism benefits based on expensive international flights encouraging NZ holidays



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Electricity regulation

- Since 2001, Commerce Act gives responsibility to regulate electricity distribution businesses
- Targeted threshold regime
- Intention to declare Control of Unison Networks



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Cartels

- “An informal association of manufacturers or suppliers to maintain prices at a high level and control production and marketing.”
- Stop competition and squeeze out new entrants
- Cause harm to consumers, businesses, economies
- New Leniency Policy offers amnesty



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Fair Trading

- Telecom Mobile: \$18 million in refunds likely
- Air NZ and Qantas: headline price advertised vs actual price paid
- Credit Cards: undisclosed charges on foreign currency transactions
- Fair Trading priority areas:
 - health and nutrition
 - telecommunications
 - cross-border breaches
 - immigrant businesses



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A balancing act

- Stakeholders
 - Business
 - Government
 - Consumers

- Rigid legal framework vs dynamism of markets

- Strategic focus of Commission