

Unclassified

English - Or. English

20 May 2025

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Working Party No. 2 on Competition and Regulation

Assessing the Impact of Competition Authorities' Activities – Note by New Zealand

16 June 2025

This document reproduces a written contribution from New Zealand submitted for Item 4 of the 79th meeting of Working Party 2 on 16 June 2025.

Federica MAIORANO
Federica.Maiorano@oecd.org

JT03566568

New Zealand

1. This paper is a contribution to Working Party No 2's Roundtable on Assessing the Impact of Competition Authorities' Activities to be held on 16 June 2025.
2. Like our sister agencies around the world, the New Zealand Commerce Commission (NZCC) is looking for ways to measure the value of its work. This note summarises our analysis to date. It outlines the methodologies we have used and reports the benefit estimates.
3. The scope of NZCC's remit is unusually broad by international standards. This allows us to capture the economies of scope available from clustering economic regulation functions in a single entity. In a small economy we need all the efficiencies we can get.
4. We enforce general competition law and also have consumer protection functions under our Fair Trading Act. We also regulate infrastructure-based monopolies and have a Market Regulation function for oligopoly-supplied sectors where our regulation seeks to promote competition.
5. Reflecting this breadth of scope, we use different measurement approaches to estimate the public benefits our work delivers across these activities. Our preliminary estimates are shown in the following table.

Table 1. Preliminary Estimates

Function	Annual Benefits	Description
Infrastructure Regulation	\$800m	Price control
Fuel	\$100m	Estimates of price reductions
Telecoms	\$70m	Lower prices
Payments	\$120m	Interchange fee reductions
Market Regulation Total	\$290m	
Penalties	\$11m	Actual value for 2024
Refunds to consumers	\$15m	Actual value for 2024
Fair Trading Total	\$26m	
Merger Control	\$730m	Avoiding 3% price increase
Cartel Control	\$74m	Avoiding 10% overcharge by cartel members
Competition Total	\$830m+	
NZCC Total	\$1,920m	

6. The methodologies used for each of these items are summarised below. We recognise there are different ways to compile these estimates and acknowledge the inevitable role of assumptions in this work. We have tried to be conservative in the sense of understating our estimates of public benefits. We also hope that by being transparent about our methods, interested observers will help us find ways to improve them.
7. Several categories of benefit have not been estimated at this point.
8. Our work in regulating the grocery sector. We consider the benefits of this to be too uncertain to quantify at this point.
9. Our work to accelerate competition in the banking and electricity sectors, both of which are tight oligopolies being threatened by entrants using new technology but needing access to be effective competitors.

10. The value of consumer education that accompanies our fair-trade work. This work has a high public profile and our media attention to it has the effect of informing consumers of their rights under the law. We see increased consumer awareness as a crucial factor in promoting a competitive and innovative economy.

11. The deterrence effect of our competition and fair-trading work. This is the supply-side analogue of consumer education. As we work to enhance durable competition, deterrence reinforces the incentives on firms to focus their efforts on innovations that enhance consumer value. We are currently considering how to estimate the value of this effect.

12. We have sought to compare our estimates of public benefits against the cost of running the NZCC. Our revenue comes from a combination of government appropriations and industry levies. It peaked at just over \$100m in the 2023/24 financial year and is now falling in nominal terms to an expectation of \$85m in 2026/27. Our estimate for 2024 is that we delivered at least \$20 of public benefit for each dollar we spent.

1. Methodologies

13. There is a more detailed paper describing these methodologies. What follows is a high-level summary split by function.

1.1. Infrastructure Regulation

14. This role includes price-quality regulation of electricity networks (high and low voltage) and gas pipelines. From recent history, we know how the relevant firms behaved before this regulation was introduced in 2010, what they argued in appeals against this regulation, and what they've argued since then.

15. These arguments can be broadly divided between those relating to the valuation of regulated assets and the rate of return on those valuations. Our estimates draw from the difference between these arguments and the final regulated outcomes. In some cases, courts were the final decision-makers and in others the Commission's decisions were not appealed.

16. In compiling these estimates, we have taken account of the risk that constraining prices and revenue for infrastructure monopolies might lead to future quality reductions, for example due to underinvestment or deferred maintenance. Our regulatory system includes incentives to invest and oversight of asset management plans to mitigate this risk.

1.2. Fuel

17. The NZCC's role in the engine fuel sector is defined in the Fuel Industry Act 2020 and includes supervision of wholesale contracts and aspects of the retail market. This legislation arose from the NZCC's first market study and we know that it has stimulated competition in the wholesale market, where there were large volume shifts between importers and distributors immediately after it came into effect.

18. Our estimate is informed by three different approaches:

19. Benefits as a percentage of sector turnover drawing on OECD precedents

20. Two different methods for assessing the value of the regulation in compressing importer margins

1.3. Telecoms

21. There is considerable uncertainty around our estimate. It is based in part on the lower rate of price inflation in this sector relative to the economy, though we recognise it is difficult to separate out the effects of technological change from our regulatory efforts. It is also informed by more directly attributable outcomes from our work to protect consumers during the transition from copper to fibre, to prevent misleading advertising and to provide enhanced information to consumers.

1.4. Payments

22. This work is closely aligned with our banking market study. Our statutory mandate is limited to regulating the Visa and MasterCard networks, but we are advocating for change beyond this scope. Our estimate of public benefit is based only on impact of interchange fee reductions.

1.5. Fair Trading

23. We reviewed the approaches that others have taken to assessing the public benefits, including the OECD and the relevant agencies of several countries (UK, USA, Singapore and the Netherlands). Our methodology draws from these sources and is applied to a selection of case studies from our own work.

1.6. Merger Control

24. To estimate the public benefit of our merger control regime we have also reviewed the approaches used by the OECD and other countries. These methods have highlighted a need for us to collate different information during our merger control process.

25. Following OECD guidance we have assumed that any merger that was declined or withdrawn would have led to a permanent 3% price increase across the size of the relevant market(s) if it had proceeded. The same assumption is applied to mergers that were cleared subject to divestment undertakings.

1.7. Cartel Control

26. Our estimate draws on OECD guidance and is made in the context of two specific case studies.