

15 March 2019

Hon Kris Faafoi
Minister of Commerce and Consumer Affairs
Parliament Building
WELLINGTON

Dear Minister

RE: ANNUAL LETTER OF EXPECTATIONS FOR 2019/20

1. Thank you for your letter dated 28 February 2019 that sets out your expectations for:
 - 1.1 the role of the Commerce Commission in contributing to the achievement of the Government's priorities; and
 - 1.2 the Commission's strategic and operational accountability and performance.
2. This letter responds to your request for advice on how we propose to respond to these expectations. Given our intentions are in line with your expectations, and following discussions with your officials, we have focused on providing you with the key points and general themes in how we propose to respond (rather than individually responding to each expectation that is listed).

Commission's role in contributing to overarching aims and priorities of Government

3. The Commission understands the overarching aims and specific priorities of your Government, and we recognise that we have a significant role in contributing to the success of the economy and the quality of lives of all New Zealanders. Everything we do is focussed on making New Zealanders better off.
4. New Zealanders are better off when:
 - 4.1 markets work well; and
 - 4.2 consumers and businesses are confident.
5. In the year ahead, our role will expand as we continue to implement and deliver new functions alongside our existing responsibilities. We will continue to target areas where we can have the greatest impact on consumers, businesses, and markets – wherever they may be in New Zealand.

Expectations in relation to our competition, consumer and regulatory responsibilities

6. In the year ahead, we intend to meet all the expectations you have set out under each of the portfolios that have been signalled in your letter. For example, to effectively implement the proposed powers for consumer credit regulation, we are currently investing in the systems, people and processes that will be required to help reduce problem debt and the resulting harms for consumers. As part of this preparatory work, we recognise the need for the Commission to have a strong presence in communities supporting vulnerable consumers.
7. Consistent with your expectations, we also expect to complete our study into retail fuel markets on time and on budget. Alongside this study, we will continue to make improvements to our systems, processes, and planning to ensure we are able to efficiently operate within our overall resourcing.
8. In addition, we expect to deliver significant benefits to consumers through our regulatory responsibilities. Notably, we will be resetting and enforcing the revenue limits and quality standards for electricity distribution and transmission networks, which will affect the long-term cost and reliability of power supply for New Zealanders. We will also be working to implement the revised regulatory regime resulting from recent changes to the Telecommunications Act.

Acknowledgement of the themes that apply to our work across the organisation

9. We would also like to take this opportunity to acknowledge some of the key themes that run through the expectations that you have set out in your letter. Perhaps the most obvious of these themes is the need to play a significant role in contributing to policy development over the coming year to ensure the workability of policy that impacts on, or is relevant to, the Commission's functions, powers, and duties/jurisdiction.
10. Other themes include the need to continue to demonstrate that we are a learning organisation, that we engage effectively with our stakeholders, that we work with other regulators on areas of common interest and maintain effective relationships with overseas regulators, and that we provide relevant information to consumers in a user-friendly format.
11. We also note your specific expectation in relation to educating businesses about our approach to enforcement of the Commerce (Criminalisation of Cartels) Amendment Act. More generally, in relation to enforcement and following on from the recent focus on the use of enforcement powers by regulators (both domestically and overseas), we also intend to take an organisation-wide approach to ensure our use of enforcement remains appropriate.

Importance of having a high performing Board

12. The Commission shares your view of the importance of ensuring the Board remains high-performing, and I am confident that the Board will be able to continue to meet your expectations through continuous improvement in our accountability and governance. Consistent with my letter of 28 September 2018, the Board has already committed to a more formalised cycle of strategic discussions to support existing processes. We expect this change to result in a number of further improvements including those that you have identified in your letter.

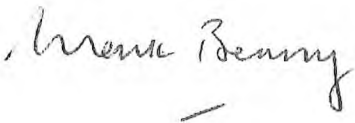
Review of baseline funding to ensure we are fit for the future

13. In line with your expectations, we consider a review of our baseline level of funding will be an integral part of ensuring that we are able to continue to meet the expectations in future years. In the absence of new funding, we believe our level of output will be compromised. We therefore welcome your recognition of the cumulative effects of incremental growth.

Strategy and performance information and transition to new Chair

14. We are also in the process of laying the groundwork for the transition to a new Chairperson and expect that they will be involved in considering the appropriateness of the existing strategic framework as part of developing a new SOI in line with the timeframes that you have signalled.
15. I trust that this response provides you with the information that you are seeking in relation to your Letter of Expectations. I am happy to discuss this with you further or to provide more information on any of the areas outlined.

Yours faithfully



Dr Mark Berry
Chairman