

## Meeting with the Commerce Commission

Those attending were:

Katie Rubatch Head of Competition and Barrie Sutton Principal Investigator.

Andrew King, Sharon Cullwick and Jan Hains

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The purpose of the meeting was to explore and understand the role of the Commerce Commission and how the laws apply to the Federation, Associations, our members and the rental property industry.

We were also able to describe how our associations and the rental industry worked - such as there are almost as many suppliers (landlords) as there are customers (tenants). This makes the rental market much harder to control compared to industries with only a few large participants, such as petrol companies. Despite this, the Commission pointed out that legally any two business suppliers agreeing on prices is against the law.

The role of the Commission is to enforce competition, fair trading and consumer credit contracts laws. As rental property owners are in trade, the laws do apply. Landlords of residential properties in the same geographic area are in the same market even if their properties are very different – for example a stand-alone house and an apartment.

The Commission understands that as an industry group we provide information to our members to help them in their business of providing rental property, but we should not be reducing competition or colluding on rental prices.

Competition is affected if there is agreement to set future prices and there is a very low threshold for this agreement. It could be the result of a casual conversation in a social setting or in an online chat group or it could be at a formal meeting.

Each property owner must make an independent decision about the level of rental he or she will charge to avoid being accused of cartel like behaviour.

Associations and the Federation are able to present information, but it is important not to take the next step which would be to recommend a particular level of rent. The information provided could be all the things to consider when setting rent – the costs and the desired margin – but each owner must make an independent decision.

Providing guidance and regular reviews of costs and rents is acceptable and even general forecasting that rental prices may increase. However, sharing information of intention is starting to get into risky behaviour. How something is said is very important. For instance you could say “our research shows that rental prices in general could increase by \$15pw because of new legislation” but not “from our research we recommend that you increase rental prices by \$15pw”.

There are two levels for potentially breaking Commerce Commission rules. The Federation and Associations may provide general information on rental prices. However if two or more members of the audience use this information to decide collectively by how much they will increase rents, then these members are likely to be breaking the law.

The most important point is that people must have the freedom to make individual choices regarding what they plan to do.

Barrie Sutton, the Principal Investigator, has agreed to participate in a webinar and we are currently working to set that up.