

**CROSS SUBMISSION ON INFORMATION
DISCLOSURE (AIRPORT SERVICES) DRAFT
REASONS PAPER AND DRAFT
DETERMINATION**

3 AUGUST 2010

PART 1 – INTRODUCTION AND IDENTIFICATION OF KEY AREAS OF DIFFERENCE

The NZAA submission has adopted a clear position of advocating for disclosure of less information, with the back-stop position of disclosure being on a confidential basis to the Commission rather than public disclosure. This is most clearly seen in the attempts by NZAA to limit the disclosure of forecast information and pricing methodologies following Price Setting Events.

BARNZ believes NZAA's approach is fundamentally inconsistent with airports being subject to information disclosure regulation. It is a core principle of regulation that disclosure should be transparent. This is recognised by Michael Pollitt in his Expert Review of the Commission's Draft Reasons paper where he states:

I would want to emphasise here that *public* information disclosure is at the heart of any good regulatory system for natural monopolies. In general there should be a clear basis against parallel disclosure processes to the public and to the regulator. Regulated companies have strong incentives to claim information is commercially sensitive and should be kept secret for that reason. However it is important to be clear that regulated monopolies commonly lose their rights to privacy in return to retaining their right to monopoly. It is also important that monopolies provide fair access and hence there is transparency about charging for particular services (access to monopoly services, in general should be non-discriminatory).

BARNZ also reiterates that the purpose of information disclosure as stated in section 53A is to *'ensure that sufficient information is readily available to interested persons to assess whether the purpose of [Part 4] is being met'*. The information NZAA is seeking to have erased from the proposed information disclosure requirements is all information which is vital to interested persons being able to assess whether the objectives contained in section 52A are being met.

In its 12 July Submission BARNZ identified five key shortcomings (all relating to the asset base) within the Commission's proposed draft Information Disclosure Determination where the proposed information disclosure requirements were not sufficient to enable interested parties to assess whether the section 52A purpose is being met. BARNZ confirms that it continues to consider that this information is necessary and reiterates its firm view that this information should be included within the information disclosure requirements:

- **The absence of detailed disclosures and reports on adjustments made to the 2009 disclosed asset base when setting the initial RAB.**

BARNZ considers that the proposed Report on the Initial Regulatory Asset Base in Schedule 27 is currently drafted at a headline level which will not provide interested persons with sufficient information to understand how the initial RAB is made up and what adjustments were made to the 2009 valuations disclosed under the Airport Authorities Information Disclosure Regulations in order to obtain the initial RAB.

- **Not requiring disclosure of the revaluations contained within the initial RAB**

The absence of a requirement in Schedule 27 for airports to disclose the revaluations inherent in an initial RAB determined from the disclosed 2009 values will prevent interested persons from being able to make informed assessments as to whether the returns earned over the lifetime of the asset are reasonable and whether excessive profits are being extracted.

- **The lack of any express requirement for information on the forecast asset base used to set prices.**
Despite the asset base being one of the most material inputs when determining charges, the forecast asset base is not one of the components used to set forecast revenue which is required by clause 9.1(c) to be disclosed in further detail after a price setting event.
- **The lack of any detailed information on the rolled forward asset base for the segmented activities**
The disclosures for segmented activities contained in Schedule 6 do not contain any information on how the asset bases (and asset classes) for the three segmented activities have been rolled forward. Without this information interested persons will not be able to understand the changes in the asset values and classifications for the segmented activities.
- **Only requiring separate disclosure of capital expenditure projects over \$30m.**
Only requiring separate disclosure for projects which are more than \$30m in value will mean that the vast majority of airport capital expenditure will only be forecast and disclosed as a lump sum which will significantly limit the ability of interested persons to assess the innovation and investment being undertaken and whether it will enable services to be provided at a level that reflects consumer demands.

From BARNZ' assessment of NZAA's Submission on the Information Disclosure Draft Reasons Paper and its tracked changes to the Draft Determination, it seems that the key differences between NZAA and BARNZ with respect to the proposed information disclosure requirements are the following matters:

- **Disclosure of Pricing Methodology post a Price Setting Event**
NZAA propose significantly reducing the explanations required after a price setting event to just a summary of the pricing methodology. BARNZ disagrees and considers that the information proposed by the Commission under clause 9 is all necessary.
- **Disclosure of forecast information following a Price Setting Event**
NZAA is seeking to significantly limit the disclosure of forecast information following a price setting event. It is endeavouring to limit the information through means such as reducing the initial forecast period, removing the requirement for disclosing information relating to a subsequent five year period and having some information disclosed on a confidential basis to the Commission rather than publicly. BARNZ disagrees and considers that the information proposed by the Commission to be disclosed represents an appropriate balance between commercial confidentiality and detail and the need for interested persons to understand how charges were set and to have sufficient information to assess whether the purpose of Part 4 will be achieved.
- **Disclosure of information about current charges**
NZAA oppose the requirement to disclose the pricing methodology and revenue forecasts and supporting information in relation to current charges and want to have disclosure of pricing methodologies not occur until charges are next reset. BARNZ considers that this information is essential and without it, any benefit from information disclosure under Part 4 will be postponed until disclosure of actual results in FY2013 after new charges have been set (likely to be completed by FY2012).

- **The need for segmented reporting**

NZAA submits that segmented reporting should be deleted. BARNZ considers disclosure of segmented information is vital to interested persons having sufficient information to assess whether the purpose of Part 4 is being met and that the Commission is actually not requiring disclosure of sufficient information with respect to the roll forward asset base for the segmented activities to enable interested parties to assess whether the section 52A purpose is being met.

- **Disclosure of assets held for future use**

NZAA oppose the disclosure of assets held for future use and consider assets held for future use should be included in the RAB. BARNZ considers that assets held for future use should be excluded from the asset base on which the ROI is calculated and shown separately elsewhere within the disclosed information as is being proposed by the Commission.

There are matters which NZAA has indicated that it intends making further submissions on (specifically the definitions and audit requirements) which BARNZ is not able to comment on, having not yet been provided with NZAA's submissions on these matters. BARNZ requests that the Commission make appropriate provision within its timetable to ensure that all interested parties are provided with the opportunity to comment on these further submissions expected from NZAA.

Finally, BARNZ reiterates the suggestion it made at the conclusion of its submission that there would be merit in an industry workshop being convened by the Commission to work through the matters raised in the submissions by industry participants so as to ascertain whether industry consensus exists (or can be reached). Matters which BARNZ has identified as being particularly suited for an industry 'round-table' and where BARNZ believes the Commission could be usefully informed by informal discussions with industry representatives include:

- The definition of a price setting event
- What would be a useful approach for disclosure of terminal service income and pricing statistics
- How capital expenditure should be measured for disclosure (e.g. including or excluding finance during construction, escalation costs and costs associated with unregulated activities where the investment is common across activities)
- The level of detail for disclosure of aircraft types
- Appropriate weight breaks
- The disclosure of stand allocations on the busy day and for the year as a whole

PART 2 – COMMENT ON REGULATORY FRAMEWORK

What does the purpose of information disclosure regulation require?

NZAA are seeking to read down the purpose of information disclosure to that of ‘providing transparency on the performance of airports’.¹

BARNZ disagrees with the airports attempts to divorce the purpose of information disclosure from the main objective of Part 4 of promoting the long term benefit of consumers. The airports’ characterisation of the performance of information disclosure being limited to providing transparency is significantly weaker than the actual statutory purpose of information disclosure specified in section 53A which is *‘to ensure that sufficient information is readily available to interested persons to assess whether the purpose of this Part [Part 4] is being met.’*

The section 53A purpose statement was introduced during the Select Committee stage in order to (in the words of the Commentary from the Commerce Committee) *‘tie the purpose of information disclosure more clearly to the new purpose statement under new section 52A’*.²

The formulation by NZAA of ‘providing transparency on the performance of airports’ is similar to the original purpose statement, rejected by the Commerce Select Committee, which was that the purpose of information disclosure regulation was to ensure public disclosure of ‘reliable and timely information, so that interested persons are informed about matters relating to the supply of the regulated goods or services’.

BARNZ considers that the Commission should strongly resist the attempts by NZAA to limit information to ‘providing transparency on the performance of airports’.

The clear statutory direction contained in the Commerce Act is for the Commission to specify information disclosure requirements which will ensure that sufficient information is available to interested persons to assess whether the purpose of Part 4 is being met – namely:

- Whether the outcomes are in the long-term benefit of consumers
- Whether the outcomes produced are consistent with what would be expected in a competitive market
- The degree to which investment and innovation is being incentivised and has occurred
- Whether efficiency has improved
- Whether services are being provided at a quality that reflects consumer demands
- Whether the benefits of efficiency gains are being shared with consumers
- Whether excessive profits are being earned, and if so, to what level

¹ NZAA Submission on Draft Input Methodologies Determination and Draft Reasons Paper, 12 July 2010, para 18

² Page 6 Commentary to Commerce Amendment Bill as reported from the Commerce Committee.

The relevance of section 52A

NZAA also seek to diminish the relevance of the section 52A purpose statement, characterising the purpose statement in section 53A as ‘the starting point’.³ Auckland Airport’s submission even goes so far as to allege that the purpose of information disclosure is the primary purpose statement.⁴

BARNZ disagrees.

Section 52A contains the overall purpose statement for all forms of regulation under Part 4 and remains the starting point or core purpose statement for all forms of regulation in Part 4. Section 52A(2) provides that in Part 4 the purpose set out in section 52A(1) applies in place of the section 1A purpose statement (which applies for the rest of the Commerce Act). This replacement of the section 1A purpose statement with the section 52A(1) purpose statement is not moved away from in any of the sub-parts contained within Part 4. The section 52A purpose statement remains the relevant purpose statement for all forms of regulation in Part 4.

The section 53A purpose statement for information disclosure does not oust or supersede the section 52A purpose statement, which remains the over-arching purpose statement applicable to all forms of regulation under Part 4. Rather, the specific purpose statements for each form of regulation (in section 53A for information disclosure, section 53G for negotiate arbitrate regulation, section 53O for default price quality paths and section 53Q for customised price quality paths) supplement the universal purpose in section 52A.

The primacy of the section 52A purpose statement is supported by the fact the Commerce Select Committee amended the purpose statement for information disclosure to specifically tie it more clearly to the purpose statement in section 52A.

³ NZAA Submission on Draft Input Methodologies Determination and Draft Reasons Paper, 12 July 2010, para 18

⁴ AIAL Submission on Input Methodologies, 12 July 2010, para 49.

PART 3 – RESPONSE TO POINTS RAISED IN NZAA INFORMATION DISCLOSURE SUBMISSION

BARNZ has organised its cross submission following the structure of the Commission’s draft determination and its schedules.

DETERMINATION	
<p>Clause 7.1(a)(v) Requirement to prepare and disclose segmented reporting</p>	<p><i>NZAA suggest</i> completely deleting the requirement to complete Schedule 6 (segmented information). <i>BARNZ disagrees.</i></p> <p>As outlined in some detail in section 8.5 of BARNZ Post-Workshop Submission dated 8 March 2010 BARNZ considers that segmented information for airfield activities, specified passenger terminal activities and aircraft and freight activities is essential in order for interested persons to be able to assess whether the purpose of Part 4 is being met.</p> <p>Segmented information is currently required to be disclosed under the current Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. This should continue to be the case under the new information disclosure requirements. BARNZ undertakes detailed analysis each year of this disclosed segmented information. The separate disclosure of results for each of the segmented activities allows trends to be monitored and improving or declining efficiencies to be identified for each of the activities. There are now ten years of trends and data on segmented activities. Disclosure of results as an aggregate would not allow these trends to emerge so clearly.</p> <p>BARNZ has previously provided the Commission with its Monitoring Report of the Financial Information Disclosure Statements for the financial year ended 2008 as an example of how the segmented information is currently used by BARNZ and how it would assist interested persons assessing the extent to which the purpose of Part 4 is being met. The monitoring work subsequently undertaken on behalf of BARNZ of the Financial Information Disclosure Statements for the financial year ended 2009 is attached so as to ensure the Commission has the latest example of the use of the currently disclosed segmented information.</p>
<p>Clause 7.1(a)(vi) Requirement to prepare and disclose a Consolidation Statement</p>	<p><i>NZAA suggest</i> completely deleting the requirement to complete Schedule 7 (the Consolidation Statement). <i>BARNZ disagrees.</i></p> <p>Reconciliation between the regulated accounts and GAAP accounts will be important to enable differences between GAAP reporting and regulatory accounting to be understood.</p> <p>Reconciliation between the regulated Airport Business and the GAAP Airport Company accounts will be essential for monitoring of compliance with disclosure requirements, and falls squarely within the purpose in section 53D for which such information is able to be required.</p>

<p>Clause 9.3 Term of forecast disclosure after a price setting event</p>	<p><i>NZAA submit</i> that rather than being a five year period, the initial disclosure period should align with the pricing period, and be shorter or longer depending on the length of the pricing period. <i>BARNZ does not agree with this suggestion.</i> <i>BARNZ acknowledges</i> there is no requirement under the AAA for prices to be set for five years, and in fact, since 2000, airport charges have been set for periods of one year, two years, three years, five years and seven years. However, this produces a dilemma for the Commission – if prices are only set for one to two years, then under the suggestion by NZAA, very little forecast information would be disclosed. In fact, an airport wanting to avoid providing forecasts, could make a deliberate decision to repeatedly set prices for short periods (say one to two years). This possibility means that <i>BARNZ prefers</i> the Commission’s approach of requiring detailed forecasts for the five years following a price setting event – irrespective of whether the price setting period for some of the charges is shorter or longer than five years. The standard five year forecast is also more manageable in light of the fact that at any point in time it is highly likely that an airport will have different price setting periods for different charges. For example, when Auckland Airport set charges in 2007 there was a one year pricing period for the TSC charge and for the jet fuel pipeline charge, a three yearly review of the counter use licence fee, a four year pricing period envisaged for the international PSC (previously departure charge) due to consideration of bringing forward construction of Stage3B of the arrivals processing and a five year pricing period for landing charges. However, the definition of a Price Setting Event is an issue which requires further work. As raised by BARNZ in its 12 July Submission what price setting events fall within this definition, thereby triggering the disclosure and forecasting obligations, needs to be carefully considered by the Commission. Is it the setting of any charge? Or is it confined just to the major or more material charges?</p>
<p>Clause 9.5 Disclosure of information following a price setting event</p>	<p><i>NZAA have suggested</i> removing all the proposed obligations to provide information regarding the pricing methodology used by the airport – save for the requirement to provide ‘a summary of the Airport’s pricing methodology’. Information about the services provided, the relationship between quality and cost, the methodology used to allocate costs, changes to prices, any pricing below incremental costs and the methodology for determining the proposed prices is all deleted in the NZAA suggested changes. <i>BARNZ does not agree.</i> Despite the fact that Airports are not required to apply a pricing methodology determined by the Commission and are free to apply their own pricing methodology, Part 4 expressly confirms that the Commission has the ability to require the disclosure of information about the pricing methodologies which the airports use (refer section 53F(2)). In fact, where firms (like the airports) are only subject to information disclosure, where the Commission does not set an input methodology for pricing methodologies, there is actually a greater need for</p>

	<p>disclosure of information about the pricing methodology adopted, in order for interested persons to understand the pricing methodology sufficiently well to be able to assess whether the purpose of Part 4 is being met. <i>BARNZ considers</i> that all of the information proposed to be disclosed by the Commission in clause 9.5 of its Airports Information Disclosure Draft Determination is required to enable this standard to be reached.</p> <p>The Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 required disclosure of the following elements with respect to the setting of charges (refer clause 2(2) of the Schedule):</p> <p style="padding-left: 40px;">2 Charges for identified airport activities</p> <p style="padding-left: 40px;">...</p> <p style="padding-left: 40px;">(2) The methodology used to determine the charges specified in subclause (1), including (but not by way of limitation)—</p> <p style="padding-left: 80px;">(a) An overview of the approach used to determine the charges:</p> <p style="padding-left: 80px;">(b) The categories of cost used to determine the revenue required from the charges:</p> <p style="padding-left: 80px;">(c) The basis for using those categories:</p> <p style="padding-left: 80px;">(d) The basis for allocating costs between charges.</p> <p>Even with this specification, in BARNZ' experience, the disclosure by the three airports of the methodology used to set charges has been sparse and at too high a level to provide any meaningful information to a reader not privy to confidential information obtained during the price setting consultation. The proposal by NZAA just to limit disclosure of the pricing methodology to 'a summary' would not result in interested persons having sufficient information to assess whether the purpose of Part 4 was being met.</p>
<p>Clause 15.4 Disclosure of current pricing methodology</p>	<p><i>NZAA suggest</i> deleting the requirement to disclose pricing methodology information relating to the Price Setting Event immediately preceding the Commencement Date. NZAA allege that this is an example of a retrospective approach. They suggest airports should not be required to disclose forecasts until the next Price Setting Event after the commencement of the information disclosure regime. <i>BARNZ disagrees.</i></p> <p>The Commission is simply requiring disclosure of the methodology used to set current charges. The charges will still be valid and being paid by consumers as at the commencement date. There is no element of retrospectivity.</p> <p>Moreover, if the Commission does not require disclosure of the current methodology used to set charges, and the forecasts which formed the basis of the charges set, then the benefit to interested persons from the information disclosure regime under Part 4 will be postponed until after prices have been reset, making information disclosure impotent until FY2013.</p> <p>As an alternative submission, NZAA also submit that airports may not be able to provide the information and, if disclosure is required, then it should be limited to aggregate revenue, cost and capital information. <i>BARNZ disagrees.</i> Based on experience during consultation, BARNZ would be very surprised if the airports were unable to prepare the information required under clause 9 and schedules 19 and 20 in relation to their most recent price setting decisions. Rather than a blanket exemption or reduction of information with respect to current</p>

	charges, BARNZ suggests the Commission would be better advised to require disclosure for current charges in full in accordance with clause 9 and instead rely on the power proposed in clause 14 for the Commission to grant exemptions in cases where an airport is able to objectively establish that the information does not exist.
Clause 15.6 Transitional provisions – disclosure of ROI for FY2009	<i>NZAA suggest</i> exempting airports from the requirement to disclose column CY-2 of the Report on Return on Investment set out in Schedule 2 in the first year of disclosure. NZAA submit that completing this column would require airports to have to ascertain a closing asset base for the financial year ended 2008. BARNZ is sympathetic to the desire to avoid calculating a closing asset base for FY2008. However, (assuming that NZAA is correct and that would need to occur) <i>BARNZ suggests</i> that rather than removing the obligation to disclose information from FY2009, a better solution would be to include a transitional provision with respect to the RIV for FY2009. For example, it could be provided that the RIV for FY2009 is the RAB for FY2009 as per line 20 of Schedule 27 plus the depreciation contained in the airport’s Financial Disclosure Statements for FY2009 disclosed under the Airport Authorities (Airport Companies Information Disclosure) Regulations.
Clause 15.6 Transitional provisions – disclosure of party responsible for interruption	<i>NZAA also suggest</i> exempting the requirement to disclose interruptions by party responsible as per the Report on Reliability Measures as set out in Schedule 12. <i>BARNZ agrees</i> with this suggestion.
DEFINED TERMS	
General comments still to be made by NZAA	<i>NZAA has indicated</i> that it did not have sufficient time to fully consider the implications of all the definitions and that it intends to make further comment in its cross submission. <i>BARNZ requests</i> that the Commission make provision in its timetable for interested parties to be able to comment on any new matters raised by NZAA in its cross submission.
Capital contributions	<i>NZAA suggest</i> adding clarification that equity or debt capital contributions are not captured within this term. <i>BARNZ agrees</i> with the suggestion.
Charged services	<i>NZAA suggests</i> this term be deleted in line with their suggested deletion of the disclosure requirements in clause 9.5(b) <i>BARNZ does not agree</i> with the proposed deletion of the definition of ‘charged services’ as it considers that the disclosure proposed under clause 9.5(b) should occur.
Outbound domestic passenger not requiring security screening	<i>NZAA has suggested</i> altering the definition of what were previously outbound turboprop passengers to ‘outbound domestic passenger not requiring security screening’. This is a suggestion contained in the Airbiz letter to NZAA and BARNZ. <i>BARNZ agrees</i> with the definition as suggested by Airbiz.
Price Setting Event	<i>NZAA is suggesting</i> confining a Price Setting Event to the setting of standard prices and also linking it to where consultation has occurred under section 4A or 4B of the Airport Authorities Act. <i>BARNZ has some concerns</i> over these suggestions. If, for example, an airport were to agree prices individually with all its

	<p>customers (which would be a laudable outcome), then there would not be any standard prices and under NZAA's suggestion, there would be no Price Setting Event and hence no disclosure of forecast information under clause 9.</p> <p>Similarly, if all substantial customers waived the right to be consulted, then no consultation would occur under sections 4A or 4B and under NZAA's suggestion, there would be no price setting event and hence no disclosure of forecast information under clause 9.</p> <p><i>BARNZ agrees</i> that the definition of a Price Setting Event needs further consideration by the Commission, but <i>BARNZ does not consider</i> the NZAA suggestions are necessarily appropriate.</p> <p>However, this is an issue where BARNZ considers that the Commission could usefully be informed by discussions within an industry workshop setting.</p>
Pricing period	<p><i>NZAA have suggested</i> altering the definition of pricing period to remove the 'back-up' assumption of a five year period where charges have not been reset.</p> <p><i>BARNZ considers</i> the Commission's assumption is a necessary safeguard to avoid a hiatus.</p>
Safety and security opex Safety, security and environment capex	<p><i>NZAA propose</i> removing the operating expense category of 'safety and security' and the capital expenditure category of 'safety, security and environment capex' as they have doubts as to the workability of these categories and consider there is not adequate certainty as to what is included within the concept and therefore airports may each disclose a different scope of activities..</p> <p><i>BARNZ disagrees</i> with the suggestion of removing these categories of operating and capital costs. Safety and security is one of the key responsibilities of airports and these requirements have substantially increased over the last decade. Interested persons have a key interest in monitoring this category of cost.</p> <p>Concerns over the workability of the categories and their scope are better addressed through improved and more comprehensive definitions rather than the total abandonment of the concepts. The further development and clarification of these definitions is an example of a matter which could usefully be progressed in an industry workshop.</p>
SCHEDULE 2 – REPORT ON RETURN ON INVESTMENT	
General	<p><i>NZAA objects</i> to annual ROIs being disclosed, describing these as 'snapshot' views.</p> <p><i>BARNZ disagrees.</i> In order to discern a trend, it is first necessary to have disclosure of individual snapshots, which together will form a series. Without a number of snapshots, interested persons will not be able to discern trends or patterns. In BARNZ' view, annual disclosure of the ROI is therefore essential.</p>
Disclosure of a five year period	<p><i>NZAA suggests</i> that a series of five years of ROI be disclosed.</p> <p><i>BARNZ has no objection</i> to this suggestion but notes transitional provisions will be necessary until there is five years of data.</p> <p><i>BARNZ also suggests</i> that there are a number of other measures where historical disclosure of the previous five years of information would also be valuable to interested persons. In particular:</p> <ul style="list-style-type: none"> • Schedule 3(a) – Report on Regulatory Profit

	<ul style="list-style-type: none"> • Schedule 5(a) – Report on Regulatory Asset Base Roll Forward • Schedule 6 – Report on Segmented Activities • Schedule 18 – Report on Pricing Statistics
Assets coming into use at the end of the pricing period	<p><i>NZAA has suggested</i> adding a new line to disclose assets coming into use at the end of the previous pricing period.</p> <p>The key issue here is ensuring transparency of commissioned projects. BARNZ had assumed assets which entered the asset base at the end of the previous year would be disclosed either as a commissioned project at the end of the previous year available for 0% of that year or as a commissioned project in the current year available for 100% of the year. <i>BARNZ is therefore not convinced</i> the extra line suggested by NZAA is necessary.</p> <p>However, if the Commission thinks the additional line would be useful BARNZ has no objection, provided it is not able to be used to avoid disclosing the relevant details of the capex.</p>
Whether projects are net of cost allocation	<p><i>BARNZ commented</i> in its submission that the Commission needs to clarify whether projects which will result in assets used by both regulated and unregulated activities should be measured as a whole, or as the regulatory portion only.</p> <p>BARNZ reads NZAA’s comment at line 69 that ‘it needs to be clearer on this schedule whether the Commissioned Projects are brought into this schedule net of cost allocation adjustments’ as also raising this same issue.</p>
SCHEDULE 3 – REPORT ON THE REGULATORY PROFIT	
Terminal services income	<p><i>NZAA comments</i> at line 8 that terminal services income is only bespoke to one airport.</p> <p>This illustrates the point noted by BARNZ in its Submission that the term ‘terminal services’ is associated with the TSC Agreement at Auckland Airport and not ‘terminal access charges’ which is what BARNZ interprets the Commission’s definition as referring to.</p> <p>Adoption of a different name such as ‘terminal access income’ would be desirable.</p> <p><i>There appears to be general consensus</i> between BARNZ and NZAA that the various disclosures of terminal services income need to be reconsidered and clarified, although different solutions have been put forward by NZAA and BARNZ.</p>
Capital contributions	<p><i>NZAA suggest</i> at line 13 that flexibility be provided regarding disclosure of capital contributions.</p> <p><i>BARNZ notes</i> only that transparency is key regarding the Commission’s decision as to how disclosure should occur.</p>
Disclosure of safety and security expenses	<p><i>NZAA suggest</i> removing disclosure of safety and security expenses at line 24.</p> <p><i>BARNZ disagrees.</i> Safety and security is one of the key responsibilities of airports and these requirements have substantially increased over the last decade. Interested persons have a key interest in monitoring this category of cost.</p>
Pricing incentives	<p><i>NZAA suggests</i> combining pricing incentives and other incentives into one sum at lines 72 and 73, stating this provides sufficient disclosure.</p> <p><i>BARNZ disagrees.</i> Pricing incentives reduce the revenue earned and do not result in any additional costs being incurred. Conversely, other incentives (such as contributions to a marketing campaign) result in</p>

	<p>increased operating costs, but do not reduce the revenue earned. <i>Therefore BARNZ considers</i> both types of incentives should be disclosed.</p> <p>In their written submission <i>NZAA make an alternative submission</i> that, if disclosure of both types of incentives is required, then this should be provided to the Commission only on a confidential basis.</p> <p><i>BARNZ disagrees.</i> This suggestion runs counter to the underlying principle of good regulation through transparency. The aggregate disclosure proposed by the Commission already amply protects commercial sensitivity by not requiring disclosure of any individual discounts or incentives.</p>
SCHEDULE 4 – REPORT ON THE REGULATORY TAX ALLOWANCE	
Treatment of common assets	<p><i>NZAA query</i> the treatment of common assets.</p> <p><i>BARNZ observes</i> that it is important that the Commission ensure clarity exists over treatment of shared assets.</p>
SCHEDULE 5 – REPORT ON THE REGULATORY ASSET BASE ROLL FORWARD	
Safety, security and environment capital expenditure	<p><i>NZAA suggest</i> removing disclosure of safety, security and environmental expenses at line 85.</p> <p>For the reasons outlined in Schedule 3, <i>BARNZ disagrees.</i></p> <p><i>However, BARNZ does agree</i> there is merit in the Commission considering whether to align the categories for disclosure of opex and capex under this category (i.e. either ‘safety and security’ for both or ‘safety, security and environment’ for both) and also in more expansive definitions being developed for these categories so as to provide clarity.</p>
Assets held for future use	<p><i>NZAA object</i> to the Commission’s approach with assets held for future use and considers they should be included within the initial RAB.</p> <p><i>BARNZ supports</i> the Commission’s approach of excluding assets held for future use from the RAB on which the ROI is calculated, but at the same time disclosing the value of such assets. <i>BARNZ considers</i> that it is important that assets held for future use should be disclosed within the notes to the RAB roll-forward report.</p> <p><i>BARNZ does not object</i> to <i>NZAA’s</i> suggestion at line 108 that the reference to capex be altered to assets commissioned.</p> <p><i>BARNZ does not object</i> to <i>NZAA’s</i> suggestion at line 109 that provision be made for disclosing the effects of asset reallocations and transfers. However, we consider that it will be important to disclose not only the value being reallocated, but also the holding costs and net revenues associated with that asset.</p>
SCHEDULE 6 – REPORT ON SEGMENTED ASSETS	
Terminal services income definition	<p><i>BARNZ agrees</i> that the “terminal services” definition needs reviewing, but does not agree with <i>NZAA’s</i> suggestion at line 9 to refer instead to unit charges and licences.</p>
Transfers/elimination column	<p><i>NZAA suggests</i> that the transfers/eliminations column be itself eliminated.</p> <p><i>BARNZ disagrees.</i> If the disclosure of segmented activities remains as it is (and does not expand to include information on the RAB roll-forward for each of the activities), then <i>BARNZ considers</i> this column needs to remain. Otherwise interested persons will not have any information with respect to the transfer of assets between activities.</p>

SCHEDULE 7 – CONSOLIDATION STATEMENT

Unregulated activities and airport company GAAP

NZAA suggests removing disclosure of unregulated activities and airport company GAAP in its suggested changes to the excel schedules.

NZAA’s written submission appears to suggest the complete removal of Schedule 7 with it being replaced with a requirement for audit certification that the financial information has been properly prepared. *BARNZ disagrees* with both these suggestions.

Reconciliation between the regulated Airport Business and the GAAP Airport Business and the GAAP Airport Company will be important information in order to understand the differences between GAAP reporting and regulatory accounting. Without this information, interested persons would be unable to verify compliance with information disclosure requirements – the very reason why provision was made in Part 4 for consolidated information to be required to be disclosed.

NZAA’s suggestion of replacement of Schedule 7 with an auditor’s certification undermines the fundamental principle of transparency of information disclosure. Moreover, it is difficult to see what the additional auditor’s statement proposed by NZAA would add.

NZAA also consider that the availability of full airport financial results makes Schedule 7 unnecessary as interested parties have access to the information in annual reports. However, at the same time, NZAA describe preparation of the information in Schedule 7 as creating ‘additional and unnecessary costs’ and being ‘resource intensive’. If it would be costly and resource intensive for regulated suppliers to prepare the information required within Schedule 7, then it would be unreasonable to expect interested persons to do the same exercise based purely on the information contained in the annual reports.

SCHEDULE 8 – REPORT ON RELATED PARTY TRANSACTIONS

No comments by NZAA

SCHEDULE 9 – REPORT ON ACTUAL TO FORECAST CAPITAL EXPENDITURE

Safety and security opex and
Safety, security and environment capex

NZAA suggest removing disclosures reconciling safety, security and environmental opex and capex expenses.

For the reasons outlined in relation to Schedule 3, *BARNZ disagrees*.

Disclosure of variances

In its written submission *NZAA disagree* with the proposed requirement for airports to explain any variances in capital expenditure forecasts as against actuals on an annual basis. NZAA consider this would be addressed in consultation under the Airport Authorities Act.

BARNZ disagrees. Consultation under the Airport Authorities Act has proved completely inadequate in addressing variations in capital expenditure. A significant example is the domestic terminal investment forecast by CIAL in 2000 when it set charges, and included in the asset base on which charges were set. It is only now being constructed, despite airlines and passengers having paid a return on and of the unspent investment for the best part of a decade. During consultation CIAL absolutely refused to consider making any adjustment to future charges to reflect the money paid in past charges for the unbuilt terminal. In the most recent consultation *BARNZ*

	<p>unsuccessfully sought to have capital expenditure wash-ups developed with all three airports. The only exception was WIAL's international terminal expansion where the airport agreed to a wash-up if it was delayed by more than one year, but this wash-up was limited and only applied to the international terminal project.</p> <p><i>BARNZ notes</i> that the Government Policy Statement under section 26 of the Commerce Act records that the Government considers it important that '<i>regulated businesses are held accountable for making investments in that business where those investments have been provided for in regulated revenues and prices</i>'.</p> <p><i>BARNZ is therefore firmly of the view</i> that a reconciliation between forecast and actual capex is essential information for interested persons to be able to assess whether the purpose of Part 4 is being met.</p>
SCHEDULE 10 – REPORT ON ASSET ALLOCATIONS	
Unregulated activities and total activities	<p><i>NZAA suggest removing</i> disclosure of assets allocated to unregulated activities and total Airport Company assets, saying that disclosure is outside the scope of the Act and review by airport auditors should be relied upon rather than requiring disclosure.</p> <p><i>BARNZ disagrees.</i> Transparency is a key principle of good regulation therefore public disclosure should occur rather than reliance on auditing process in place of public disclosure.</p>
SCHEDULE 11 – REPORT ON COST ALLOCATIONS	
Unregulated activities and total activities	<p><i>NZAA suggest removing</i> disclosure of costs allocated to unregulated activities and total Airport Company assets, saying that disclosure is outside the scope of the Act and review by airport auditors should be relied upon rather than requiring disclosure.</p> <p>For the reasons outlined above in the commentary relating to Schedule 10, <i>BARNZ disagrees.</i></p>
SCHEDULE 12 – REPORT ON RELIABILITY MEASURES	
Contact stands and aerobridges	<p><i>NZAA comments</i> that disclosure of airbridge availability should be limited to those airbridges owned by the airport.</p> <p><i>BARNZ agrees</i> that it would not be appropriate for interruptions to airbridges <u>owned and managed by a third party</u> to be disclosed.</p> <p><i>However, BARNZ notes</i> that limiting disclosure to airbridges 'owned by the airport' as per the first sentence suggested by NZAA would be too narrow as the airport company could in the future lease airbridges (as currently occurs with baggage trolleys which are often provided under management contracts). <i>BARNZ suggests</i> instead that a note be included in Schedule 12 that '<i>Disclosure of interruptions should not include interruptions to any assets owned and managed by a third party, and which are not being provided on behalf of, or under contract with, the Airport</i>'.</p>
Ground Power Units (GPUs)	<p><i>NZAA oppose</i> disclosure of the percentage of time GPUs are unavailable, saying, inter alia, industry agreed this was not a material service.</p> <p><i>BARNZ disagrees.</i> One of the outcomes of the industry workshop organised by the CC in December 2009 was a consensus that the proposed GPU disclosure should be '<i>a reliability measure with airports to disclose unavailability where GPUs are present</i>' (refer <i>BARNZ letter to Commerce Commission post the workshop dated 21</i></p>

	December 2009). BARNZ considers that the Commission's proposed disclosure reflects the outcome of the December 2009 workshop. In addition, BARNZ notes that CIAL is currently discussing with airlines whether to install GPUs as part of the current terminal project. The use of GPUs is likely to become more common given the environmental benefits of reducing aviation fuel usage through Auxiliary Power Units (APUs).
Airbridge availability (average number)	<i>NZAA suggest</i> excluding this measure as it considers sufficient information is captured above in schedule 12. This issue was raised by Airbiz in its joint letter to NZAA and BARNZ. <i>BARNZ agrees</i> the measure is not necessary but for a slightly different reason. BARNZ considers that the information contained in Schedule 13 on aircraft parking stands available on the busy day should provide a sufficient indication on the number of airbridges.
SCHEDULE 13 – REPORT ON CAPACITY UTILISATION INDICATORS FOR AIRCRAFT, FREIGHT & AIRFIELD ACTIVITIES	
Aircraft parking stands available during the busy day	<i>BARNZ and NZAA</i> have both made very similar suggestions regarding the simplification of disclosure of aircraft parking stands available on the busy day.
Aircraft movements during the busy day	<i>NZAA suggest</i> simplifying disclosure of aircraft movements on the busy day to disclosure of runway movements and turnarounds per stand and to not disclose the type of parking stand used. <i>BARNZ disagrees.</i> The disclosure of the type of stands used by aircraft during the busy day is an essential piece of information to understanding utilisation of airport facilities. The accommodations able to be provided to aircraft on the busy day provide a direct reflection of whether services are being provided at a quality which reflects consumer demands (be that for increased airbridge access to aircraft or greater provision of 'contact stand – walking' access to aircraft).
SCHEDULE 14 – REPORT ON CAPACITY UTILISATION INDICATORS FOR PASSENGER TERMINAL ACTIVITIES	
Unit measurements	<i>NZAA have added</i> unit measurements at lines 10, 14, 20, 27, 33, 35, 38, 40 and 53. This issue was raised by Airbiz in its joint letter to NZAA and BARNZ, and <i>BARNZ agrees</i> with the suggestions at the above lines.
Seats	<i>NZAA want</i> the number of seats available to passengers in departure lounges deleted as they consider the results of the passenger satisfaction survey provides sufficient information. <i>BARNZ disagrees.</i> The number of available seats is one of the most tangible measures for many passengers.
Landside circulation inbound	<i>NZAA suggest</i> removing disclosure of space and utilisation of landside circulation inbound areas. This issue was raised by Airbiz in its joint letter to NZAA and BARNZ, and <i>BARNZ supports</i> the removal of this area from Schedule 14.
Busy hour start time for entire terminal	<i>NZAA suggest</i> removing disclosure of a busy hour for the entire terminal. This issue was raised by Airbiz in its joint letter to NZAA and BARNZ, and <i>BARNZ accepts</i> the advice of Airbiz regarding the

	desirability of removing of this element from Schedule 14.
Number of baggage trolleys	<i>NZAA want</i> the number of working baggage trolleys available to passengers deleted. <i>BARNZ disagrees.</i> The availability of baggage trolleys is another tangible measure for many passengers.
SCHEDULE 15 – REPORT ON PASSENGER SATISFACTION INDICATORS	
Disclosure of quarterly results	<i>NZAA suggest</i> removal of the quarterly results and disclosure only of an annual average result. <i>BARNZ disagrees</i> and considers this proposal would provide too high level an indication of passenger satisfaction. It would not disclose movements in passenger satisfaction during the year or provide interested persons with any indication of passenger sensitivity or reaction to improvements undertaken by airports or to disruptions such as terminal works. Disclosure of quarterly results creates no additional cost on Airports and BARNZ considers the presumption of transparency should apply here with full disclosure of passenger satisfaction surveys.
Disclosure of waiting times for check-in, passport control and security	<i>NZAA suggest</i> removal of disclosure of passenger satisfaction regarding waiting times for check-in, passport processing and passing through security. <i>NZAA</i> note that these waiting times are beyond the airports' control. <i>BARNZ considers</i> that it is appropriate for these three measures to be disclosed, but notes it may be useful for the Commission to add a comment in Schedule 15 recording that while the airport provides the space and some facilities within which these activities occur, the service itself is generally provided by a party other than the airport. While the measures are not fully within the airports' control, the airports do provide the space (and sometimes the facilities) within which these activities are provided. The space and facilities provided both have a direct impact on the ability of the supplier to provide the relevant services in a timely manner. This issue is currently being experienced at Auckland Airport where the limited space made available for AVSEC to carry out its functions in the newly constructed departures area (due to the airport's desire to maximise retail space) has led to significant congestion and queues at Avsec and (we are told) a high level of passenger dissatisfaction.
SCHEDULE 16 – REPORT ON ASSOCIATED STATISTICS	
Disclosure of aircraft type	<i>NZAA have suggested</i> simplifying the disclosure of aircraft type to aircraft which make up 80% of movements, with the remaining 20% of aircraft types being disclosed as a total in one line. While BARNZ supports the concept of simplification of disclosure of aircraft types (and has suggested reducing disclosure of aircraft under 3 tonnes to a total disclosure of number and MCTOW), <i>BARNZ does not agree with</i> or support the <i>NZAA</i> suggestion of only disclosing aircraft types for 80% of movements. BARNZ has two particular concerns with the <i>NZAA</i> 80% threshold: <ul style="list-style-type: none"> • 80% as a threshold is too low. It means 20% of movements would not need to be disclosed. It would result in the disclosure of only 2 or 3 aircraft types in the case of Wellington and Christchurch for some weight breaks. BARNZ has illustrated this using the 2009 information disclosure results attached as

	<p>Appendix 1. BARNZ notes that WIAL has used an ‘other’ category in its current disclosures of scheduled domestic landings between 3 and 30 tonnes, and this ‘other’ category catches approximately 1.5% of movements within this weight band, which seems more reasonable.</p> <ul style="list-style-type: none"> • There is no provision made for disclosure of aircraft types for which capital expenditure was incurred in order to enable the airport to accommodate that aircraft type. This concern is expanded below. <p>The NZAA suggestion would mean that any new aircraft types would not be disclosed until they fell within the top 80% of movements and the frequency of such aircraft types would be unknown initially. However, the airport may in fact have had to undertake costly works in order to enable new aircraft types to operate at the airport as was the case with the A380 at Auckland which required the widening and strengthening of runway shoulders and was a significant factor contributing to the need to construct Pier B. There were 97 A380 movements at Auckland in FY2009, which represented 0.5% of movements. BARNZ understands CIAL is actively monitoring the market for signs it should invest in becoming A380 capable. The WIAL Masterplan indicates a range of works to enable the airport to be used by larger aircraft such as B787 and A330 (including widening the taxiway, realigning a road and moving its rescue fire facilities). The NZAA suggestion would mean that interested persons would not have sufficient information in order to reach an informed assessment as to whether appropriate incentives to invest exist (and gold plated investments are not occurring) and whether the investment has resulted in services being provided at a level which reflects consumer demands.</p> <p><i>BARNZ suggests that if the Commission wishes to simplify disclosure of aircraft type for aircraft above 3 tonnes then it should require disclosure of:</i></p> <ul style="list-style-type: none"> • Aircraft types which account for 95% of the movements for that weight category; • Any aircraft type for which capital expenditure was incurred within the last ten years to enable that aircraft type to operate to the airport in question; and • All other remaining aircraft types within an ‘other’ category. <p>In the absence of a provision requiring disclosure of ‘aircraft types which required capital expenditure’ then BARNZ considers the current requirement for all aircraft types to be disclosed should be retained.</p>
Other aircraft	<p><i>NZAA recommend changing the title for ‘other aircraft’ at line 112. BARNZ has no objection to this suggestion.</i></p>
Total movements and MCTOW	<p><i>NZAA suggest adding a line totalling the aircraft and movements and MCTOW. BARNZ made the same suggestion in its submission and agrees with NZAA.</i></p>
Terminal access	<p><i>NZAA suggest removing the requirement to disclose the number of aircraft movements categorised by the main form of passenger access. NZAA consider that there would be difficulties disclosing this as they</i></p>

	<p>understand that the information is not recorded electronically on a continuous basis and Air NZ carries out the domestic stand allocation at each of the three airports.</p> <p>As an initial point BARNZ notes that Air NZ does not have domestic stand allocation responsibilities for all movements at all of the airports, and that a range of allocation processes occur, including allocation by some airports and by other airlines as well.</p> <p><i>BARNZ does not agree</i> that disclosure of the means of terminal access should be completely removed.</p> <p>The means of accessing the terminal is an important statistic for measuring whether services are being provided at a quality that reflects consumer demands. The number and frequency of likely bus operations once A380 aircraft commenced operations at Auckland Airport was the primary reason the international airlines requested that AIAL construct Pier B, which would have two A380 capable gates, and therefore significantly reduce the number of bussing operations at the international terminal.</p> <p>In its 12 July Submission on the information disclosure, <i>BARNZ suggested</i> limiting disclosure of means of terminal access to domestic jets and international scheduled aircraft only. This would make the measure more cost effective to comply with and focus it on aircraft types where there is a more marked impact on consumers from remote operations.</p> <p>BARNZ understands that some airports already collect information on means of accessing the terminal for international aircraft. For example, Auckland Airport records this information as part of its TSC Agreement. In FY2009 there were 106 bussed landings out of 19 723 actual international landings.</p> <p><i>BARNZ therefore continues to consider</i> that the means of accessing the terminal should be disclosed with respect to international aircraft and domestic jet aircraft (i.e. scheduled domestic movements greater than 30 tonnes).</p> <p><i>BARNZ also considers</i> that this is an area which could be usefully considered in an industry workshop.</p>
Transit and transfer domestic passengers	<p><i>NZAA suggest</i> removing the requirement to disclose domestic transfer and transit passengers.</p> <p>This issue was raised by Airbiz in its joint letter to NZAA and BARNZ. <i>BARNZ agrees</i> with Airbiz that there is no source of data readily available which provides a reliable and meaningful statistic to report here and therefore supports the removal of this statistic.</p>
FTEs	<p><i>NZAA comments</i> that it supports only disclosing aggregate FTEs as some FTEs work across several activities.</p> <p><i>BARNZ continues to consider</i> FTEs should be disclosed for each segmented activity as currently occurs, which enables efficiency performance indicators to be applied on a segmented activity basis rather than as an aggregate.</p> <p>Airports will already have had to allocate the salaries of FTEs across the segmented activities in order to prepare the segmented cost allocation information required in schedules 6 and 11, therefore there is very little additional work required to disclose these allocations in terms of FTEs.</p>

SCHEDULE 17 – REPORT ON OPERATIONAL IMPROVEMENT PROCESS	
	NZAA made no comment
SCHEDULE 18 – REPORT ON PRICING STATISTICS	
	NZAA made no comment
SCHEDULE 19 – REPORT ON THE FORECAST TOTAL REVENUE REQUIREMENTS	
Safety and security opex and Safety, security and environment capex	<p>NZAA <i>suggest</i> removing the forecast categories of safety and security opex (at line 62) and safety, security and environmental capex (at line 96).</p> <p>For the reasons outlined under Schedule 3, <i>BARNZ disagrees</i>.</p>
Initial disclosure period	<p>NZAA <i>submit</i> that rather than being a five year period, the initial disclosure period should align with the pricing period, and be longer or shorter depending on what the pricing period was.</p> <p>As discussed above in relation to clause 9.3 of the Determination, <i>BARNZ does not agree</i> with this suggestion.</p> <p>It would mean that if prices were only set for one to two years, then very little forecast information would be disclosed. In fact, an airport wanting to avoid providing forecasts, could make a deliberate decision to only set prices for short periods (say one to two years).</p> <p><i>BARNZ</i> prefers the Commission’s approach of requiring detailed forecasts for the five years following a price setting event – irrespective of whether the price setting period for some of the charges is shorter or longer than five years. The standard five year forecast is also more manageable in light of the fact that different charges have different price setting periods.</p>
Subsequent five year period – scope of disclosure	<p>NZAA <i>has correctly identified</i> an inconsistency between the Commission’s Reasons Paper and the draft schedules with respect to the scope of disclosure for the second five year period. The draft Reasons Paper indicates that disclosure of the RAB and Works Under Construction are not required for the second five year period (see page 87) but Schedule 19(i) and (ii) include boxes for disclosures of this information for that period.</p> <p><i>BARNZ reserves comment</i> on this issue until the Commission has clarified what its position is with respect to disclosure of this information in the second five year period.</p>
Subsequent five year period – confidential disclosure only	<p>NZAA <i>suggests</i> that forecasts for the years following the pricing period should be provided to the Commission only on a confidential basis so as to mitigate NZSX disclosure requirements.</p> <p><i>BARNZ disagrees</i>. This suggestion is inconsistent with the principle of transparency of information disclosure and would result in interested persons having no public source of information regarding longer term planned capex.</p>
Subsequent five year period – aggregate disclosure of capex	<p>NZAA <i>suggest</i> that the 10 year forecast period should only show the forecast capex as a block, and not as annual amounts.</p> <p><i>BARNZ disagrees</i>. Aggregate disclosure would leave interested persons with no information about the expenditure path and whether smooth expenditure was envisaged or lumpy irregular investment. However <i>BARNZ</i> does think there would be merit in the Commission adding a commentary box at the end of Schedule 19 for any notes regarding the capex forecasts. This would enable the airports to highlight any particular timing uncertainties.</p>
SCHEDULE 20 – REPORT ON DEMAND FORECASTS	

Initial pricing period rather than five years	<i>NZAA submit</i> that rather than being a five year period, the initial disclosure period should align with the pricing period, and be greater or lesser depending on what the pricing period was. <i>As discussed above, BARNZ does not agree</i> with this suggestion.
Subsequent disclosure to be confidential	<i>NZAA submit</i> that the subsequent disclosure after the initial pricing period should be confidential to the Commission. <i>BARNZ disagrees.</i> Transparency is a key principle for good regulation.
Forecasts of inbound and outbound passengers	<i>NZAA note</i> that detail of inbound and outbound passengers is not currently included in long term forecasts and has suggested not breaking down forecast domestic and international passengers for each year into outbound and inbound. BARNZ has reviewed the forecasts provided by the three airports when they last set charges. None of the forecasts distinguished between inbound and outbound passengers, although the forecast for Auckland Airport by Tourism Futures International did separately forecast transit and transfer passengers. <i>BARNZ therefore does not object</i> to NZAA’s suggestion that long term forecasts for passengers during the year at lines 18 to 24 not distinguish between inbound and outbound passengers. <i>However, BARNZ continues to consider</i> international transit and transfer passengers should be separately disclosed where they are material. In this regard, <i>BARNZ suggests</i> that a threshold of 5% of international passenger volumes could be adopted as the threshold for materiality of international transit and transfer passenger volumes.
Landings	<i>NZAA note</i> that ‘landings’ is the standard terminology rather than inbound flights. <i>BARNZ agrees</i> ‘landings’ is the commonly used term and that this would be appropriate to use in lines 41, 45, 49 and 53 which address annual forecasts where the Commission currently refers to ‘inbound flights’. However, at line 37 where the busy hour and day are being forecast, then <i>BARNZ considers</i> that the correct term would be ‘movements’ as these measures are concerned with capacity, and capacity is required to provide for both landings and departures.
Commentary box	<i>NZAA has suggested</i> adding a commentary box at the conclusion of Schedule 20 providing for commentary on the basis of forecasts and any assumptions made. BARNZ made a similar suggestion in its Submission and therefore <i>agrees with NZAA</i> that the addition of a commentary box would be beneficial.

SCHEDULES 21 THROUGH 26 – AUDIT REQUIREMENTS

Level of Director certification	<i>NZAA has indicated</i> that it considers that the obligations placed on directors under Schedules 21 through 26 to be unnecessarily onerous and that it plans to revert to the Commission with a proposal regarding the format and content of audit requirements in due course. To date, BARNZ has not been provided with a copy of any proposal made by NZAA. <i>BARNZ therefore requests</i> that the Commission provide other parties with the ability to comment on NZAA’s proposals when they are received by the Commission.
---------------------------------	--

SCHEDULE 27 – REPORT ON INITIAL REGULATORY ASSET BASE VALUE

Use of a current valuation	<p><i>NZAA has submitted</i> that a new current valuation as at 2010 should be used as the initial RAB, and has suggested a number of consequential changes to Schedule 27 reflecting this view.</p> <p><i>BARNZ strongly disagrees</i> with the suggestion that a new valuation as at 2010 should be adopted as the opening RAB. There are no efficiency benefits that would promote the long term benefit of consumers from allowing further revaluations prior to commencement of the new disclosure regime, especially as they would not have been treated properly. Consequently BARNZ disagrees with all resulting changes suggested by NZAA reflecting a new valuation.</p>
Disclosure of assets held for future use	<p><i>NZAA suggest</i> deleting the disclosures relating to assets held for future use in the initial RAB.</p> <p><i>BARNZ disagrees.</i> BARNZ supports the Commission’s approach of excluding assets held for future use from the RAB, but at the same time disclosing elsewhere within the information disclosure requirements the level of assets held by the airports for future use. BARNZ considers that it is important that assets held for future use are transparently disclosed.</p>

**ATTACHMENT 1: ILLUSTRATION ON 2009 DISCLOSED INFORMATION OF NZAA
PROPOSAL TO DISCLOSE 80% OF AIRCRAFT TYPES**

This is attached as a separate pdf file.

**ATTACHMENT 2: BARNZ MONITORING OF AIRPORT FINANCIAL DISCLOSURE
STATEMENTS UNDER AIRPORT AUTHORITIES ACT**

This is attached as a separate pdf file.