

**CROSS SUBMISSION ON  
DRAFT INFORMATION DISCLOSURE  
DETERMINATION AND DRAFT REASONS PAPER**

**3 August 2010**

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## Part A: Submission Overview

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### *Introduction*

1. This is the New Zealand Airports Association's ("**NZ Airports**") cross submission on the Commerce Commission's ("**Commission**") Draft Information Disclosure Determination ("**Draft Determination**") and Information Disclosure Airport Services Draft Reasons Paper ("**Draft Reasons Paper**"). NZ Airports has provided a separate cross submission on the Draft Input Methodologies Determination and Input Methodologies Airport Services Draft Reasons Paper ("**Draft Input Methodologies Determination Submission**"). This cross submission is made on behalf of Auckland International Airport, Wellington International Airport and Christchurch International Airport ("**Airports**").
2. This cross submission should be read in conjunction with all previous submissions made by NZ Airports and the Airports as part of the Commission's consultation on input methodologies and information disclosure requirements to be determined under Part 4 of the Commerce Act 1986 ("**Act**").
3. This cross submission primarily responds to the Board of Airline Representatives New Zealand's ("**BARNZ**") submission on the Draft Determination and Draft Reasons Paper ("**BARNZ submission**"). It is structured as follows:
  - Part A provides an overview and executive summary of this cross submission;
  - In Part B, NZ Airports summarises what it considers to be the key concerns that underpin the airlines' position on the information disclosure requirements under Part 4;
  - In Part C, NZ Airports directly responds to BARNZ's top five concerns as set out in its information disclosure submission; and
  - In Part D, NZ Airports provides its responses to the remainder of BARNZ's concerns.
4. NZ Airports also provides comments on, and suggested amendments to, BARNZ's proposed amendments to the Draft Determination and Schedules, which are **attached** to this cross submission. In the interest of accuracy, and due to time constraints, NZ Airports has limited its feedback on the Draft Determination and draft definitions to BARNZ's proposed amendments together with other proposed amendments arising from this cross submission. NZ Airports maintains, however, that the draft definitions are particularly technical and therefore NZ Airports would be grateful if the Commission would remain open to receiving further comments on points of detail or drafting issues before the final determination is made.
5. NZ Airports will also be pleased to provide any further information required in support of this cross submission.
6. NZ Airports' contact for matters regarding this cross submission is:

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## ***Overview and Executive Summary***

7. In NZ Airports' view, the airlines' fundamental misunderstanding of the regulatory requirements of the information disclosure regime under Part 4 of the Act have led them to request further inappropriate and unnecessary disclosures. In particular:
- the airlines continue to propose disclosure requirements which go well beyond the statutory purpose and requirement of "sufficient information" and, in some instances, are outside the scope of the Act (such as information on non-regulated activities);
  - the cost of compliance will be unnecessarily high, and this is largely because the relative cost and benefit of certain information has not been fully analysed. As such, NZ Airports reiterates that a balance needs to be taken in establishing disclosure requirements for this new form of information disclosure and the compliance costs of collating and disclosing this information, as correctly pointed out by the Commission; and
  - the airlines ( and to a lesser extent the Commission) continue to mix the concepts of information disclosure and pricing information, and NZ Airports is concerned that this will generate further compliance costs and risks wrongly influencing airports' investment decision-making and pricing behaviour. This is inconsistent with the purpose of information disclosure and will inhibit the ability of regulation to achieve objective (a) of the Part 4 purpose statement (promoting incentives to invest).
8. We have provided our response to BARNZ's top five concerns in tabulated form, however a summary of NZ Airports' views is as follows:
- BARNZ seeks more detailed disclosures and reports on adjustments made to the 2009 disclosed valuations when setting the initial RAB. NZ Airports considers that the Information Disclosure Draft Determination specifies "sufficient" information for interested parties to assess whether the Part 4 purpose statement is being met and that a suite of additional reports is unnecessary to achieve this. It ought to be sufficient that airports are required to adopt the Commission's prescribed methodology, certify that they have done so and provide a high-level summary of information provided;
  - BARNZ seeks disclosure of the revaluations contained within the initial RAB. NZ Airports submits that airports are subject to information disclosure regulation only, and that this requires disclosure of returns going forward, not backwards. Previous revaluations are not relevant for new regulation, and to require disclosure of historical revaluations would be both retrospective and confusing to interested parties. Identification of revaluations from past pricing periods is also selective and does not recognise other pricing variations from these pricing periods;
  - BARNZ maintains that the forecast asset base used to set prices should be disclosed and that an addition to Clause 9.1(c)(ii) be made to require the reporting of "forecast asset bases" within Schedule 19. Whilst the forecast asset base is reported in Schedule 19, NZ Airports agrees that for clarity this should also be listed in Clause 9.1 as proposed by BARNZ;
  - BARNZ seeks a roll forward of the asset base for segmented activities. NZ Airports submits that the BARNZ request is unreasonable in scope and would add unnecessary

complexity. The airports' asset bases comprise many thousands of assets, over 50,000 in Auckland Airport's case. Rolling forward the assets at such a micro level would significantly increase the complexity, particularly in how the shared asset allocation could be applied at such a detailed level, of preparing the asset disclosures. The additional work and new processes would not, in NZ Airport's view, provide a justifiable enhancement to the disclosures given the year on year disclosures will already be provided in Schedule 5b(vii) and Schedule 10a Report concerning Asset Allocations. NZ Airports considers these to be sufficient and that the costs of additional Schedules do not outweigh the benefits.

- BARNZ has changed its position previously expressed during the Asset Planning and Forecast Information workshop and now submits that the capital expenditure project threshold for information disclosure should be changed from its originally proposed \$30 million to \$5 million or the five largest project in five years (consistent with the approach adopted for the electricity and gas industries). NZ Airports believes the proposed \$5m is too low for projects in the context of multi-billion dollar asset bases. NZ Airports suggests it would be better for the capital expenditure forecast threshold to be \$30m or the five largest projects in five years, subject to a minimum project value of \$5m.
9. In Part D, NZ Airports responds to BARNZ's ancillary concerns, which we have also set out in table form for the Commission's convenience.

## Part B: Key themes on information disclosure

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10. Prior to engaging on the detail of the BARNZ information disclosure submission in the following sections, in this Part, NZ Airports outlines the key themes that underpin many of the misunderstandings that the airlines have made in relation to their proposed information disclosure requirements.

### ***Disclosure requirements go beyond the purpose of information disclosure***

11. NZ Airports stresses that the starting point for information disclosure requirements under the Part 4 regime is the purpose of information disclosure, which is to ensure that sufficient information is readily available to interested persons to assess whether the Part 4 purpose statement is being met (section 53A of the Act).
12. NZ Airports is concerned that the airlines are proposing information disclosure requirements that continue to go well beyond the ambit of the information disclosure purpose statement. As set out in our submission on the Draft Information Disclosure Determination, we consider that the Commission has largely followed a correct approach to the statutory requirements, and has appropriately focused on minimising compliance costs. We have nevertheless identified some areas where the draft determinations would require disclosure of information beyond the purpose of information disclosure and other statutory requirements, and/or would impose unnecessary compliance costs. NZ Airports is concerned that, contrary to this approach, both Air NZ and BARNZ have lost focus as to what is in fact necessary for interested parties to assess whether the purpose of information disclosure is being met. Rather, the airlines have graduated to a position where they are proposing disclosures which in their view may be desirable for expert parties such as themselves, but could not reasonably be described as "sufficient information" for interested parties.
13. NZ Airports believes there are no benefits to requiring disclosure of much of the additional information as advocated by BARNZ. As increased levels of detail are added into the required disclosures, the costs continue to escalate, while interested parties will struggle to assimilate the key pieces of information. There is a substantial risk that the additional information could detract from the value in the "sufficient" information.
14. The proposed disclosure requirements are also considerably more onerous than the requirements under the Australian regime which further suggests that increases in the level of information required are unwarranted.
15. NZ Airports is therefore becoming increasingly concerned that the airlines continue to advocate for onerous and unnecessary information disclosure requirements, without regard to the applicable statutory requirements.
16. For example, the proposed Consolidation Statement is unnecessary and unwarranted. BARNZ has further proposed that assets directly attributed to unregulated activities should be disclosed for the purpose of Schedules 10 and 11. However, section 53D of the Act only provides for limited circumstances where the disclosure of consolidated information regarding non-regulated activities is permitted. The purpose of this section is clear: to enable *the Commission* to monitor compliance with information disclosure regulation applying to goods or

services, *not* interested parties in general. There is therefore no basis on which the airlines can reasonably require disclosure of information regarding airports' unregulated business. NZ Airports submits that consolidated statements including information on the unregulated business cannot reasonably be required for the purpose of information disclosure, and in any event do not warrant the additional time and cost burden that airports will inevitably face to prepare.

17. In terms of a consolidation between regulatory disclosures and financial reporting, full airport financial results are currently made publicly available in annual reports, which are audited. Interested persons have full access to this information. To replicate this information in a different shape or form places on regulated suppliers unnecessary disclosure obligations and compliance costs. This is particularly so in respect of plant and equipment where any reconciliation between financial reporting and regulatory disclosures will be complex from day one due to the different asset valuation methodology proposed by the Commission for land, the different processes for recognition of revaluations and the different processes for recognition of additions and disposals to the asset base. Each of these issues will affect the forward depreciation profiles and the allocation of shared assets (albeit that the bases for allocation of these assets can be identical). NZ Airports strongly submits that endeavouring to maintain such information is not warranted and that audit of the regulatory disclosures will provide sufficient confirmation that the information has been properly prepared and therefore can be relied upon by interested parties.

### ***Cost of compliance continues to be overlooked and underestimated***

18. While NZ Airports acknowledges that the Commission is required to establish a robust information disclosure regime for regulated airports, NZ Airports emphasises that this must be achieved through cost-benefit analysis and on a cost-effective basis.
19. NZ Airports supports the Commission's focus on establishing a cost effective information disclosure regime. The Commission states that its focus has been on:<sup>1</sup>

the minimum amount of information that should be disclosed to interested persons to assess whether outcomes consistent with outcomes in a workably competitive market are occurring.

20. For example, the Commission was right in deciding that disclosure of Asset Management Plans ("**AMPs**") would not be appropriate in the information disclosure context under Part 4 because of the relatively little additional benefit disclosure of AMPs would provide, compared to the significant cost that the airport companies would have to incur.
21. However, NZ Airports remains unconvinced that the value of disclosing certain information as proposed by Commission in its Draft Determination, and now the airlines in their submissions, outweighs the cost incurred. Even apparently small additions can trigger new process and system requirements. These costs are often not tested until the point of implementation. For example the mere additional requirement to report interruptions by party responsible is requiring Auckland Airport to redefine its process for capturing all interruption data, which is expected to cost approximately \$40,000.

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<sup>1</sup> Draft Reasons Paper, paragraph X3.

22. In establishing the information disclosure requirements, NZ Airports reiterates that the purpose of information disclosure requires that there must be a balance between the benefit derived from disclosing the information, and the compliance costs of collating and generating this information. Over prescription on what information must be provided, coupled with detailed requirements as to when this information must be provided, leads to rising costs, and often with minimal additional benefit. Information is operationally defined, and therefore overly prescriptive disclosure will mean that the disclosures will not be able to evolve as the business and its priorities change. Detailed and non-standard requirements are unhelpful. For example in addition to the key demand forecasts BARNZ is proposing 10 year forecasts of international transit and transfer passengers. BARNZ acknowledge this is of key relevance for Auckland Airport. NZ Airports does not believe it is appropriate for the Information Disclosure to prescribe items such as this in detail as it is an operational nuance for Auckland Airport, it could be subject to change over time and it can be provided to the airlines through AAA consultation.
23. Finally, the Commission comments that the purpose of information disclosure can be achieved largely through existing airport processes and reporting structures. While much of the information is available there is still a considerable amount that is not or is not currently recorded in the form proposed. It is unquestionable that the establishment of such detailed ongoing disclosure requirements will incur substantial additional costs for airports, and ultimately passengers. It is contrary to the principles of good regulation if the Commission makes changes to established arrangements beyond those that are required without good reason. Any additional disclosures should therefore be assessed extremely critically.

### ***Mixing information disclosure with pricing information***

24. NZ Airports agrees with the Commission's view that:<sup>2</sup>

utilising the information disclosure regime to influence the investment and pricing decisions of regulated suppliers in a premeditated way falls outside the scope of the section 53A purpose statement.

25. NZ Airports submits that this position must be reflected in the information disclosure requirements. The proposals in the BARNZ submission disregard the Commission's view, and NZ Airports stresses that the Commission must not be influenced by BARNZ's inappropriate submissions in this respect.
26. Examples of this in the BARNZ submission are the level of detail and reports that it is proposing for the analysis of changes for the initial asset base versus that established under the existing disclosure regulation and the additional disclosures it is proposing for used and useful assets.
27. The airports accept disclosure of their pricing methodology as a formal part of the disclosures. However we are concerned that in some instances the pricing metrics requested by BARNZ and proposed by the Commission are overly specific to particular airports or particular contract types in place today. The pricing statistics the Commission specifies should be suitably high level to be useful across the industry, should be flexible to respond to the actual charging structures established at each airport and endure inevitable changes in price architecture over time.

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<sup>2</sup> Draft Reasons Paper, paragraph 2.27.

## Part C - Response to BARNZ's priority concerns

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
<p>More detailed disclosures and reports on adjustments made to the 2009 disclosed asset base when setting the initial RAB</p>	<p>Proposed approach 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.</p> <p>“Key adjustments (such as removal of land held for future use and the MVAU valuation adjustment) are proposed to be disclosed simply as a total with no supporting data or reports. Users will not know with any clarity what assets are included in the RAB and what assets have been excluded.”</p>	<p>A new valuation exercise will be undertaken in accordance with the Commission’s determination.</p> <p>As the existing disclosure requirements under the AAA will cease to exist under the new disclosure regime, it will be important that independent valuation reports supporting the information in the disclosed schedules can be made available to interested parties, in the same way that they are today. This will be best achieved by undertaking new valuations at the commencement of the new regime as proposed by NZ Airports.</p> <p>NZ Airports is concerned that BARNZ advocate a number of detailed reports be provided and believe this steps beyond the point of “sufficiency”.</p> <p>Users will know that the valuers have followed the Asset Valuation Handbook. A high level summary can be included in a comment box below Schedule 27a.</p> <p>This information should be sufficient and would meet the cost benefit test from the airports' perspective. It also meets the purpose of forward-looking regulation.</p>	<p>NZ Airports has made suggestions to the composition of Schedule 27a which it continues to support.</p> <p>Further detailed reports and tabulated reconciliations are unnecessary.</p> <p>Valuation reports for aeronautical activities can be made available to interested parties in the same manner as they are today (albeit without the 12 month time limitation contained in the current disclosure regulations).</p> <p>A comments box should be added below Schedule 27a to provide commentary for interested parties regarding the key adjusting lines.</p>

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
	NZCC disclosure will provide insufficient detail to assess whether the assets included in the initial RAB are useful.	BARNZ confuses information disclosure and pricing. See NZ Airport Input Methodology Cross Submission for the various problems with the “useful” concept proposed by BARNZ.  In particular, the assets to be included as regulated assets are prescribed in the AAA definitions of identified airport activities.	Refer NZ Airports Input Methodologies Cross Submission.
	A report on the adjustments removing land held for future use and other excluded assets from the values disclosed by the airports in 2009 under the Airport Authorities Information Disclosure Regulations.	NZ Airport believes the Information Disclosure Reports should be appropriately specified.  A separate report is an unnecessary requirement.	NZ Airports has consistently submitted that assets prudently held for future use should be included in the RAB – for further discussion see the NZ Airports Input Methodology Cross Submission.  Subject to the comments above NZ Airports proposes a comments box be added to Schedule 27a to provide the opportunity to summarise excluded assets.
	A report on the MVAU adjustments.	NZ Airport believes the Information Disclosure Reports should be appropriately specified.  A report is an unnecessary requirement.	Facility should be added to summarise MVAU adjustments within Schedule 27a if Schedule 27 is not based on a current valuation, as proposed by NZ Airports.
	A report on lost and found assets.	A report is an unnecessary requirement.	Facility should be added to summarise lost and found assets within Schedule 27a.
	Request a report on cost allocation adjustments made to 2009.	NZ Airports is concerned that the cost of “grandfathering” the old disclosure systems is escalating beyond reasonable bounds. For each item of information the Commission requires historical information, the cost of compliance increases materially (both directly and for on-costs such as audit). The new	NZ Airports does not consider that there is merit in a separate report of cost allocation analysis in FY09 which predates the new regime.  The costs categories and allocators, together with the rationale for them, are required in Schedule 11 and NZ Airports considers that this is sufficient.

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
		<p>regime requires forward-looking assessment and as such evaluation of historical data is outside the scope of the new information disclosure requirements and it would be inappropriate for the Commission to extend beyond the requirement for sufficient information in its Final Determination.</p> <p>The Commission has outlined a sensible level of disclosure for Cost Allocators in Schedule 11. This information will be sufficient to paint a clear picture of the cost allocation methodologies.</p>	
Disclosure of the revaluations contained within the initial RAB		BARNZ appears to seek this information for retrospective purposes. The Commission is required to implement an information disclosure regime for the purpose of ensuring sufficient information is readily available to assess whether the Purpose of Part 4 is being met. Any revaluations contained in the initial RAB are irrelevant to this assessment, as this assessment does not require retrospective analysis. The initial RAB is the starting point for such assessments (in terms of asset values). Furthermore identification of revaluations from past pricing periods is also selective and does not recognise other pricing variations from previous pricing periods.	The Commission should not require the disclosure of any past revaluations in establishment of the initial RAB.
There should be disclosure of the forecast asset base used to set forecast revenue		Schedule 19a provides sufficient information on the forecast revenue requirements and this includes disclosure of the “forecast value of assets employed”. This should be included as an element in Clause 9.1c.	NZ Airports agrees that Clause 9.1c should be amended to correlate to Schedule 19a.

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
<p>Roll-forward asset base by segment</p>		<p>Managing the roll forward and allocation of assets is a very detailed and complex process. Airports will be required to establish new asset bases to meet the new disclosure requirements. Ongoing management of the new asset bases will incur considerable time and cost which would be exacerbated if asset movements were required to be monitored at the more detailed level proposed by BARNZ due to the existence of common assets.</p> <p>We believe BARNZ misunderstands the sequencing of the process for rolling forward and allocating assets employed by the airports.</p> <p>The BARNZ proposal would require a change in approach to how the roll-forward is undertaken. Currently the asset is rolled forward and then split.</p> <p>NZ Airports believes that changing this process would result in unnecessary complexity and cost and we do not believe that changes to systems and processes should be required.</p> <p>Given the output of the information BARNZ requests will be shown in Schedule 10a NZ Airports does not believe there is a strong cost / benefit rationale for changing the systems currently employed across the industry in this area.</p>	<p>NZ Airports does not believe assets should be rolled forward at a segment level due to the existence of common infrastructure assets shared across segments and the cost diseconomies of trying to prepare the information in the proposed manner.</p> <p>NZ Airports considers that the disclosure proposed by the Commission which shows the roll forward for airport activities in Schedule 5b(vii) Asset Classes combined with closing values by airport activity in Schedule 10a Report on Asset Allocations is sufficient.</p>

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
<p>Capital expenditure project threshold changed from \$30m to \$5m or 5 largest projects in 5 years</p>	<p>Will significantly limit the ability of interested parties to assess the innovation and investment being undertaken and whether it will enable services to be provided at a level that reflects consumer demands.</p>	<p>It is disappointing that having proposed the \$30m threshold at the February workshop BARNZ has changed its position.</p> <p>NZ Airports' primary concern to date regarding the disclosure of capital expenditure forecasts has been the fact that the Commission does not seem to appreciate that there is greater uncertainty regarding the timing of capital expenditure projects in the airport industry than others it is traditionally involved in.</p> <p>In particular in the forecasts beyond the price period projects, i.e. 5-10, will come with +/- 30% forecast error, as not even flow and function design work will have been completed or in some cases even commissioned.</p> <p>In requiring the airports to put these forecasts into the public domain, the airports will be responsible for ensuring their currency and communicating any changes to the financial markets. Current practice would see financial forecasts and timing only released to the market when there was sufficient certainty of information. Taking Auckland Airport by way of example, the forecasts beyond the pricing event would have included Terminal Stage 3b. Auckland Airport believes it would have been disinformation to require this to be disclosed at the time.</p>	<p>As previously submitted NZ Airports recommends a public disclosure for projects included in the pricing period (standard 5 years) and confidential disclosure to the Commission thereafter to a maximum of 10 years.</p> <p>NZ Airports also recommends that Schedule 9a be adapted to provide space for a description of how consumer demands have been assessed.</p> <p>The threshold for capital expenditure disclosures is all projects over \$30m or Top 5 projects by value, with a minimum of \$5m.</p>

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
		<p>The Commission’s proposal will force decisions in relation to capex forecasts which infer they are more precise and realistic than they are in practice – and for what consequence if they do not form part of pricing. A possible way of managing the continuous disclosure obligations resulting from 10 year forecasts would be for airport Boards only to review the long-term capital expenditure forecast once a year. Surely it would be sub-optimal if the information disclosure regime starts to influence risk management in such a manner.</p> <p>Short of removing the capital expenditure forecasts, as was initially requested by NZ Airport, informational risks can be managed in two ways:</p> <ul style="list-style-type: none"> <li>- Disclosing information in the pricing period to the public / market and providing forecasts beyond this (subject to greater design error) confidentially to the Commission for a period up to 10 years; and</li> <li>- Having a sensible threshold for project disclosure.</li> </ul> <p>A qualitative description of projects beyond the forecast period could be provided to interested parties.</p> <p>NZ Airports believe the proposed disclosure threshold by BARNZ is de minimis. To put it in context \$5m represents the following proportion of the current aeronautical asset</p>	

BARNZ request	BARNZ concerns	NZ Airports View	NZ Airports Recommendation
		<p>base:</p> <ul style="list-style-type: none"> <li>- AIAL: 0.38%</li> <li>- WIAL 1.2%</li> <li>- CIAL 1.3%</li> </ul> <p>NZ Airports does not accept that such a low level threshold is necessary to provide “sufficient” information to assess innovation and investment.</p> <p>NZ Airports would however support the combination of a number of projects and a threshold together with a more qualitative disclosure to allow interested parties to assess how consumer demands have been assessed.</p>	

## Part D - Response to BARNZ's additional concerns

Ch	Area	BARNZ Point	NZ Airports Position
3	<i>Gains and losses on sale (para 3.47)</i>	<p>Where a previously vested asset is <i>then</i> sold for less than its value in the RAB, BARNZ considers that the loss on sale should only be recognised up to the extent of the actual investment by the regulated supplier. A practical example exists with Puhinui Road and Puhinui Bridge which were vested in Auckland Airport by Transit NZ in 2002, apparently for nil consideration. The Airport subsequently revalued the assets by \$6m in 2002 and again by further unknown sums in 2004 and 2006. If these roading assets were in the future transferred back to Transit NZ for an amount less than the current book value, then it would not be appropriate for the 'loss on sale' as against the book value to be recognised as negative income, given that the airport did not originally incur any cost to acquire that asset.</p> <p>The loss on sale in this case (and in the case of any vested assets) should only reflect the actual investment by the regulated supplier – that is, any original consideration and any subsequent capital investment in maintaining or improving the asset. If this is not the case, then the regulated supplier will have earned returns considerably in excess of the FCM rule.</p>	<p>NZ Airports believes BARNZ' views are without merit. Losses on sale should be recognised in the normal accounting manner, as there is no economic reason to do otherwise, and not doing so would create internal inconsistencies with the proposed valuation of assets and reporting revaluations as income (once the starting RAB is established).</p> <p>BARNZ is again mixing historical events under the old regime with the forward-looking new regime.</p>
4 <i>Quality and Risks</i>	<i>Request disclosure of service level agreements ("SLAs")</i>	BARNZ states that requiring disclosure of the existence and extent of SLAs would materially improve the ability of the Commission and interested persons to assess whether regulated suppliers are providing services at a quality which reflects consumer demands and the extent to which Part 4 is (over time) providing incentives for regulated suppliers to provide services at a quality that reflects consumer demands.	NZ Airports believes this is an example of information beyond the scope of sufficient information. NZ Airports believes the quality statistics it has proposed with BARNZ are comprehensive and most suitable for time series analysis. Further evidence of whether regulated suppliers are providing service at a quality which reflects consumer demands is the focus of Schedule 15. It is not evident that the additional level of operational disclosure is necessary under Part 4.

Ch	Area	BARNZ Point	NZ Airports Position
	<i>Reliability of planned maintenance</i>	Airlines are not as concerned with planned maintenance as they are with unplanned maintenance, as planned maintenance (so long as it is not excessive) can usually either be accommodated between scheduled services or contingency plans can be implemented by the airport and airlines such that the planned interruptions have a relatively small effect on passengers.	NZ Airports acknowledges the airlines clarification of position and concurs with the focus on interruptions due to unplanned maintenance.
	<i>Utilisation – passenger data</i>	BARNZ comments that passenger data is provided to Wellington Airport and is available for other airports from data provided to Airways Corporation and Government agencies.	<p>NZ Airports believes that given there is a necessity for airports to provide statistics on revenue per passenger means, it is critical that passenger data is accurate and received on a timely basis, directly from source.</p> <p>Airlines should provide passenger information to all of the airports in the same manner as they do for Wellington Airport. This is particularly necessary for domestic travel where the Airways data is the only source of information and it records people on board and not paying passengers. Even a small difference for each flight could distort the airport disclosures over a full 12 month period.</p> <p>NZ Airports will seek to work with BARNZ to establish an efficient process for obtaining passenger data directly from airlines.</p>
5 Forecast Revenue	<i>Disclosure of capital expenditure</i>	Addressed above.	NZ Airports recommends that for Schedule 19biii that the airports be required to list all projects over \$30m or their Top 5 projects by value, with a minimum of \$5m.
6 Pricing disclosures	<i>Disclosure of average pricing (para 6.11)</i>	BARNZ note that there are exemptions for some passenger types.	NZ Airports believes that in the long term there is no certainty over the exemptions raised by BARNZ nor is there consistent information on passenger numbers provided to airports as addressed above. The Commission is right to focus on the high level metric – average prices should be an average for each passenger. This also allows New Zealand results to be compared to other jurisdictions such as Australia.

Ch	Area	BARNZ Point	NZ Airports Position
7 Certification and audit	<i>Transitional provisions – timing of first disclosures (para 7.44)</i>	BARNZ believes the 11 month transitional period is overly generous for Auckland and Christchurch Airport and suggests a deadline of February 2012.	NZ Airports believes the implementation timetable will be very challenging. In the past the airports have had, and have needed, 5 months to meet the current information disclosure requirements. It is reasonable to expect that the initial disclosure will take at least as long again and 6 months is prudent. NZ Airports will need to consider the implementation timetable consequences of any further data requests.
	<i>Transitional provisions – disclosure of operating costs (para 7.44)</i>	BARNZ requests that the first year disclosure of operating expenditure should either use the AAA classifications or the new classifications.	As submitted previously, NZ Airports considers that the categories proposed by the Commission are largely workable. Dependant on the final determinations to be released by the Commission, we consider that the airports should be able to report in accordance with the new disclosure requirements. NZ Airports considers that reporting under the existing AAA is not appropriate and will not be on a basis comparable to the new disclosure regime.

## Appendix - Determination

Reference	BARNZ	NZ Airports
Clause 8.1(a)(ii) and (iii)	It would help avoid confusion if the terminology used in the titles to Schedules 13 and 14 mirrored the defined terms 'airfield activities', 'aircraft and freight activities' and 'specified passenger terminal activities'.	NZ Airports supports BARNZ's proposed change although we note that the current draft paragraph incorrectly contains a duplication of Airfield Activities.
Clause 9.1	<p>Seek clarification of the definition of the Price Setting Event.</p> <p>BARNZ suggests a proviso could be included in clause 9.1 along the lines of "within 20 Working Days following a Price Setting Event (other than a charge which is reset annually) ..."</p>	<p>NZ Airports agrees this is a useful clarification but considers it does not go quite far enough. Currently the definition of Price Setting Event refers to prices set under 4A and 4B of AAA. The definition would cover rents paid by substantial customers under their individual leases/licences with the airports which are consulted upon at each rent review/ renewal, as well as other charges such as the likes of the Terminal Services Charge and Joint User Hydrant Line which Auckland Airport sets annually.</p> <p>NZ Airports suggests the following definition of Price Setting Event:  "with respect to a Specified Airport Service, means the process and result of setting of price by an Airport in respect of that Specified Airport Service, pursuant to sections 4A and 4B of the Airport Authorities Act 1966 excluding circumstances where the price is:  (a) reset or adjusted annually without further consultation; or  (b) subject to separate negotiation for inclusion in the terms of a lease or licence; or  (c) not required to be consulted on by virtue of section 4B(3) of the Airport Authorities Act 1966."</p>
Clause 9.1(c)	Note that Clause 9.1(c) does not include the 'forecast asset base'.	NZ Airports notes that this was included in Schedule 19a and agrees it is appropriate to be listed in Clause 9.1(c).
Clause 9.1 (xi)	Valuation reports.	NZ Airports agrees that valuation reports may be provided when valuations of regulated assets are undertaken (typically at least once every 5 years).

Reference	BARNZ	NZ Airports
Clause 9.5 b (vii)	Have added a new definition Terminal Access Income and request the revenue methodology identify and explain any terminal access charges (even if bundled in other charges) and any price differentiation applied on the basis passengers using different means of accessing the terminal.	This new definition was added by BARNZ in response to a number of proposed disclosures by the Commission in Schedule 18 on the Terminal Service Charge. NZ Airports agrees with BARNZ that it is inappropriate for Schedule 18 to focus on bespoke charges at one airport. However NZ Airports does not believe that the addition of a new income type – Terminal Access Income is necessary. The differential charge for Terminal Access (with and without airbridge access) for Auckland Airport is in the order of \$1.4m. As BARNZ note this is a very small portion of income and NZ Airports considers it to be a prime example of non-existent benefits arising from the disclosure of additional information. Airline parties are provided this information annually at Auckland Airport. Given these Terminal Access charges are in the order of 20c each way, 40c per passenger, representing less than 1% of passenger based charges and the primary interested party already has access to the information, it does not appear sufficiently important to warrant separate disclosure in the Information Disclosure regime.
Clause 14	BARNZ suggests it would be appropriate for provision to be made for the Commission to consult with interested persons before the Commission grants an Airport an exemption from any of the requirements of the Determination.	NZ Airports considers that the Commission, as the regulator, should retain the discretion to decide whether or not exemptions are provided.
Clause 15.1	BARNZ considers that allowing all three Airports an additional six months to prepare their disclosures in the initial year is overly generous in the case of airports with a 30 June balance date. BARNZ suggests the transitional provisions should provide for disclosure to occur by 28 February 2012 for all airports.	As outlined there is a considerable amount of work involved in the disclosures in the Draft Determination. NZ Airports does not believe disclosure by 28 February 2012 is feasible for Auckland Airport and Christchurch Airport.
Clause 15.6(a) (before renumbering)	<p>BARNZ does not consider it is appropriate to exempt airports from the requirement to break down operating expenses using the categories proposed by the Commission in the first year of disclosure, without alternatively requiring operating expenditure to be broken down using the current categories in the AAA Information Disclosure Regulations.</p> <p>The outcome under the Commission's current approach is that no breakdown of operating expenditure will be required in the initial year.</p>	As submitted previously, NZ Airports considers that the categories proposed by the Commission are largely workable. Dependant on the final determinations to be released by the Commission, NZ Airports consider that the airports should be able to report accordingly.

Reference	BARNZ	NZ Airports
Clause 15.6(b) (before renumbering)	The line item references appear to be incorrect. The reference to line items 88-90 should presumably be to line items 84-86 and the reference to line item 91 should presumably be to line item 88.	BARNZ are correct in respect of the first reference however NZ Airports believes the second reference, which is bracketed in the determination, should refer to line 87.

## Appendix – Defined Terms

NEW TERMS	BARNZ	NZ Airports
Airside circulation and arrivals concourse	See Airbiz comments regarding the number of definitions creating an unnecessary level of complexity.	Agreed.
Appropriate point for domestic weight breaks	<p>The Commission is currently proposing using 3 tonnes as the dividing point for domestic aircraft, and having disclosure occur separately for aircraft below 3 tonnes and aircraft above 3 tonnes.</p> <p>The practical reality of airport operations in New Zealand is that there are three classes of domestic aircraft operated in New Zealand, with considerably different features and needs, both in terms of runway width and length, rescue fire requirements and terminal requirements such as airbridges and security needs. Broadly speaking, they are:</p> <ul style="list-style-type: none"> <li>• GA operations, which are less than 3 tonnes</li> <li>• Turbo-prop aircraft, which fall between 3 tonnes and 30 tonnes.</li> </ul> <p>These aircraft are predominantly found on regional routes, but can also operate on the main trunk line.</p> <p>Jet aircraft, which are over 30 tonnes, are predominantly found on the main trunk line.</p> <p>This categorisation is used by the Commission in Schedule 13. With this in mind, BARNZ suggests the appropriate weight breaks for domestic aircraft are:</p> <ul style="list-style-type: none"> <li>• Aircraft up to and equal to 3 tonnes</li> <li>• Aircraft greater than 3 tonnes and less than 30 tonnes</li> <li>• Aircraft 30 tonnes and greater</li> </ul>	The breaks proposed by BARNZ are appropriate given the fleet mix used in New Zealand. The only case where an aircraft that would normally be thought of as a commercial turboprop aircraft is included in the under 3 tonne GA category is in the case of the Britten Norman Islander which has a MCTOW of 2.994 tonnes.
Airport, Airport Business and Airport Company	It is not immediately apparent from the term Airport or Airport Business that this is the subset comprising the regulated activities and not the whole airport. Adding a descriptor such as Specified Airport Business or Regulated Airport Business may well aid in the interpretation of the requirements by interested persons.	NZ Airports agrees.

NEW TERMS	BARNZ	NZ Airports
Arrival time	<p>The Draft Determination defines Arrival Time as the runway arrival time. This differs from how arrival time is normally measured within the aviation industry.</p> <p>Airline industry standards measure arrival time at the point when blocks (or chocks) are applied to the aircraft wheels once it is stationary at the relevant stand (be it a contact stand or a remote stand) – this is commonly called ‘on block’. This is the standard commonly used in current airline reporting systems.</p> <p>BARNZ recommends the Commission amend the definition of Arrival time to align with industry standards and enable greater advantage to be taken of current measuring systems.</p>	<p>NZ Airport agrees that onblocks is a useful reference point for interruption information. However it is not the appropriate reference for busy hour analysis which is based on touchdown and liftoff time recorded by Airways.</p>
Average passenger service charge per domestic passenger	<p>BARNZ suggest a new measure - Average passenger service charge per domestic passenger and it proposes lease income received by airports from airlines leasing operational areas for processing domestic passengers and their baggage should be taken into account.</p>	<p>Benchmarking of charges is a complex matter which cannot be replicated within the Information Disclosure requirements. NZ Airports recommends that Schedule 18 should be general so as to have application to all three airports and should not seek to influence the price architecture.</p> <p>NZ Airports believes that line 26 of Schedule 18 should be Average Specified Passenger Terminal charge per passenger and would include lease income.</p> <p>We note that BARNZ request a split of domestic and international income and note that components are not always distinguished for common use facilities in New Zealand and Australia and that some judgement will be required if a domestic international split is required for common use terminals.</p>

NEW TERMS	BARNZ	NZ Airports
<p>Average Passenger service income Average Terminal services income</p>	<p>BARNZ is not certain that the distinction between average passenger service income and average terminal service income is required in as many cases as the Commission is currently proposing.</p> <p>The Draft Determination proposes measures with respect to the average terminal service charge for both international and domestic passengers with an airbridge or transfer bus and without an airbridge and transfer bus. The cost of collecting the information to disclose the proposed measures appears to BARNZ to significantly outweigh any benefit and to be more information than necessary to meet section 53A.</p> <p>Terminal access charges are currently only a relatively small proportion of terminal charges.</p> <p>BARNZ suggests that a simpler means of providing sufficient information with respect to terminal access charges, so as to enable interested persons to assess whether s52A is being met, would be for airports to disclose:</p> <ul style="list-style-type: none"> <li>• Average actual income from all terminal charges (that is, both passenger service income and terminal service income) per domestic passenger and per international passenger</li> <li>• Standard domestic and international terminal service charges</li> </ul> <p>An explanation of what adjustment (if any) is made between flights having different means of accessing the terminal (i.e. airbridge access, transfer bus access and remote walking access).</p> <p>BARNZ does not consider that the cost of collecting data to calculate the average actual charge is warranted with respect to terminal service income as a stand-alone measure.</p>	<p>NZ Airports agrees that the terminal service charge has been overemphasised in Schedule 18. It is inappropriate for all regulated airports as it is a contract type specific to Auckland Airport.</p> <p>NZ Airports believes that categories within any element of the disclosure should be broad enough to capture similar types of information across the industry and should not be limited to classifications which are either specific to one airport or contract types which exist today.</p> <p>As noted earlier it is possible that the Commission seeks to allow all interested parties to assess the cost of contact versus remote access to the terminals. NZ Airports queries whether this is sufficiently important information and submits that it should not be required.</p>
<p>Baggage outbound – notional capacity</p>	<p>The proposed definition refers to outbound baggage – notional capacity being measured in ‘passengers per hour’. BARNZ considers this should be measured as ‘bags per hour’ which is what is being processed by the outbound baggage sortation system.</p>	<p>This proposal is logical and acceptable in that this is the normal way that the capacities of baggage systems are referred to. Airbiz initially recommended this be expressed as passengers per hour to be consistent with other throughput measures.</p>

NEW TERMS	BARNZ	NZ Airports
Departure time	<p>The Draft Determination defines Departure Time as the runway departure time. This is the same issue as discussed above with respect to the definition of Arrival Time. Industry standards measure departure time at the point when blocks are removed from the aircraft wheels – commonly called ‘off block’.</p> <p>BARNZ recommends the Commission amend the definition of departure time to align with industry standards and enable better advantage to be taken of current measuring systems.</p>	<p>NZ Airports agrees that off-block is a useful reference point for on time departure delay information. However other runway capacity analysis may look at runway departure time</p>
Holding costs (proposed new definition)	<p>There is no definition or formula provided for determining the annual holding costs for land held for future use which is disclosed under Schedule 5. Paragraph 4.4.28 of the Input Methodologies (Airport Services) Draft Reasons Paper indicates that holding costs are ‘the actual or implicit funding charge associated with this capital investment’ but this definition does not appear to be included within either the Information Disclosure Determination or the Input Methodologies Determination.</p>	<p>NZ Airports continues to be concerned that the Commission seeks to impose its singular view of how land held for future use should be treated for the purposes of information disclosure this could in and of its self result in regulatory failure. NZ Airports continues to maintain that assets prudently held for future use should be included in the initial RAB. However if the Commission continues to exclude these NZ Airport agrees that the holding cost definition would need to be clarified. NZ Airports believes the proposed definition by BARNZ is incomplete.</p> <p>Subject to this overriding comment, the definition of holding costs proposed by BARNZ refers only to the funding charge associated with the investments.</p> <p>NZ Airports notes that the initial value of land held for future use is to be set to market, using MVAU. Each year a cost of capital charge is to be added to the opening value, calculated as WACC times opening value (inclusive of holding costs to that point), minus any net revenues obtained from use of the land (with net revenues equal to income from use of the land minus costs to obtain that income).</p> <p>NZ Airports believes the Commission’s inclusion of revaluations in the net revenue definition will be confusing to apply and result in no difference in the total carrying value of these assets.</p> <p>However, if revaluations are applied, they should be applied as follows. Revaluations of the land (whether by CPI each year or periodic MVAU) are to be added to the carrying value of the asset, but deducted (if a gain) or added (if a loss) to the holding costs as above.</p>

NEW TERMS	BARNZ	NZ Airports
Inbound domestic transit and transfer passenger	Defining a domestic transit and transfer passenger as one 'who has baggage checked through onto an outgoing flight' will not result in an accurate picture of domestic transit and transfer passengers as not all transit and transfer passengers will have checked in baggage. BARNZ suggests that the definition be reworded as per the proposal by Airbiz at point 7 of its letter.	NZ Airport agrees.
Key capital expenditure projects	<p>Suggests a threshold of \$5m or the five largest projects.</p> <p>In addition, there are several points regarding the process of measuring the value of the project which would benefit from clarification:</p> <p>Is the value of the project to be calculated inclusive or exclusive of financing costs? BARNZ' view is that the entire project cost, including expected financing costs, should be taken into account.</p> <p>Where a project will provide regulated and unregulated assets (such as an extension to the terminal which will encompass aeronautical space as well as retail space), then is the entire capital spend to be taken into account in determining if the threshold is met or just the proportion that relates to the regulated business?</p> <p>Where a project is able to be constructed in stages, with each stage able to be used as it is completed, then should the disclosure occur as each stage is commissioned or when the entire project is complete and all stages are in use? This question arises with Christchurch Airport's Integrated Terminal project which is being constructed in stages.</p>	<p>NZ Airport rejects the appropriateness of a fixed \$5m threshold for the reasons outlined earlier. With respect to the additional points made by BARNZ:</p> <ul style="list-style-type: none"> <li>• NZ Airports is willing to incorporate financing, and other holding costs, into capital expenditure projects.</li> <li>• NZ Airports do not believe that project forecasts should include any component of unregulated activities. These are outside the scope of the Act. NZ Airports acknowledges however that when a project includes a significant common asset, that will be apportioned, then the airports will provide an explanation of the allocation basis for the estimated project expenditure.</li> <li>• When a project is constructed in stages financial reporting standards required discreet asset components to be capitalised as they enter productive use. NZ Airports believes the regulatory treatment should be consistent with this approach.</li> </ul>
MCTOW	BARNZ suggests that further specification be provided that it is the MCTOW 'contained in the aircraft's certificate of Registration'.	The MCTOW definition contained in the aircraft's Certificate of Registration' is appropriate as it is a consistent measure that can be verified independently.

NEW TERMS	BARNZ	NZ Airports
Net revenues (proposed new definition)	BARNZ notes that there is no definition or formula provided for determining the annual net revenues associated with land held for future use which is required to be disclosed under Schedule 5. Paragraph 4.4.28 of the Input Methodologies (Airport Services) Draft Reasons Paper indicates that net revenues are 'revaluations and revenue generated from other interim uses' but this definition does not appear to be included within either the Information Disclosure Determination or the Input Methodologies Determination.	As stated earlier NZ Airports continues to maintain that assets prudently held for future use should be included in the initial RAB, and as such revenue and net operating costs in the interim uses would form part of the disclosure.  As noted earlier NZ Airports believes it is confusing for the revaluations to be included in the net revenue definition. It would be preferable these are excluded, or stepped out separately to demonstrate that the increment should be holding costs net of revaluations, less net cash revenue.
Operational expenditure	BARNZ considers that gains and losses on derivative financial instruments should not be included within regulatory disclosure statements.  However, if the Commission decides to include gains and losses on derivative financial instruments, then it is imperative they be shown as a separate line item and not included within operating costs.  Otherwise it will be difficult for interested persons to measure trends in operating costs over time and discern whether efficiency improvements are occurring.	NZ Airports agrees with BARNZ that gains or losses on derivative financial instruments of interest rate risk should not be included in regulatory disclosure statements. Such instruments are using in respect of financing and should be compensated in the cost of capital.  However the Commission's definition only refers to financial instruments used to manage foreign currency risk and inclusion of gains/losses on these instruments. Foreign currency risk management as well as other instruments used to manage price risk such as electricity hedging should be included where the purpose of the instrument is to mitigate currency or other pricing exposure arising from operational revenues or expenses, or capital expenditure.
Outbound domestic transit and transfer passenger	This is the same issue as for inbound domestic transit and transfer passengers, namely that linking the definition to baggage checked through will not result in an accurate picture of domestic transit and transfer passengers as not all transit and transfer passengers will have checked in baggage. BARNZ supports the definition being reworded as per the Airbiz recommendation.	NZ Airports agrees.
Passenger facilities functional floor space	This definition may well not be needed any more.	NZ Airports agrees.
Passport control (inbound) – floor space	There appears to be duplication with the definitions of Passport control (inbound) – floor space and Passport control (inbound) – overall functional floor space appearing to be defining the same space.	NZ Airports agrees.

NEW TERMS	BARNZ	NZ Airports
Pricing Methodology	The end of the fourth line of this definition appears to be missing some words after 'and including, where applicable, ...'	NZ Airports agrees that the definition needs to be clarified.
Publicly Disclose	Suggest that in addition to the notice in the Gazette the regulated supplier also be required to give a similar notice in any industry publication and in the local newspaper. These additional notices should increase the possibility of interested persons being made aware of the disclosures.	NZ Airports does not consider publication in the Gazette, newspapers or other publications is necessary. Airports can advise known interested persons directly and provide clear advice on their websites that the information is available.  It is not unreasonable to assume that persons interested in this information would identify airport websites as the primary source for the information and airports could be required to post their disclosures on their websites.
Standard price	This definition needs to be amended to reflect the fact that the price may be set to passengers as well as to airline customers. Currently the definition only refers to airline customers.	NZ Airports agrees this is reasonable.
Terminal services income	Broadly speaking, this is defined as income related to the transfer or transportation of passengers between an airport terminal and an aircraft. BARNZ considers this term is likely to create confusion. Since the 1970's there has been a terminal services charge at Auckland Airport which relates to all international terminal airside space, equipment and operating expenses. While it includes transfer and transportation costs, the charge at Auckland Airport (which represents the commonly understood meaning of terminal service charge to airlines) is significantly wider. To avoid confusion, BARNZ suggests this defined term be renamed along the lines of 'terminal access income'.	NZ Airports also believes that the use of the term terminal services income in Schedule 3a and Schedule 6 is particular to Auckland Airport and that the Schedules should be specified at a sufficiently high level to have application across all three airports.  As noted earlier whilst NZ Airport understands the proposed clarification to 'terminal access income' NZ Airports does not believe that the Terminal Access Income is sufficiently large to warrant separate disclosure in Schedule 3a or 6. NZ Airports notes that BARNZ also agrees that the itemisation of this income is not warranted.
<b>SCHEDULE 2 – REPORT ON RETURN ON INVESTMENT</b>		
2(b)(i) Debt leverage assumption	As outlined in BARNZ' Submission on the Input Methodologies Reasons Paper, BARNZ would prefer actual leverage to be used, but if an estimate is to be applied, then it should not be at 40% which is the upper bound of the range. BARNZ considers the Commission should continue to apply its previous leverage of 25%.	Refer to NZ Airports submissions and cross submissions on Cost of Capital.

NEW TERMS	BARNZ	NZ Airports
2(b)(ii) \$30m threshold for commissioned projects	BARNZ recommends a \$5m capital expenditure threshold.	NZ Airports does not agree as discussed above.
<b>SCHEDULE 3 – REPORT ON THE REGULATORY PROFIT</b>		
Gains and losses on derivative financial instruments	<p>As discussed above, BARNZ considers that gains and losses on derivative financial instruments should not be included within regulatory disclosure statements or within the definition of operational expenditure.</p> <p>However, if the Commission decides to include gains and losses on derivative financial instruments, then it is imperative they be shown as a separate line item and not included within operating costs. Otherwise it will be difficult for interested persons to measure trends in operating costs over time and discern whether efficiency improvements are occurring as the derivative gains and losses can significantly affect the regulatory profit and obscure the identification of trends.</p>	<p>As discussed above NZ Airports agrees with BARNZ that gains or losses on derivative financial instruments of interest rate risk should not be included in regulatory disclosure statements. Such instruments are using in respect of financing and should be compensated in the cost of capital.</p> <p>However the Commission’s definition only refers to financial instruments used to manage foreign currency risk and inclusion of gains/losses on these instruments. Foreign currency risk management as well as other instruments used to manage price risk such as electricity hedging should be included where the purpose of the instrument is to mitigate currency or other pricing exposure arising from operational revenues or expenses, or capital expenditure.</p>
<b>SCHEDULE 5 – REPORT ON THE REGULATORY ASSET BASE ROLL FORWARD</b>		
Schedule 5(b) Disclosure needed for changes to depreciation rates	There does not appear to be provision for recording changes to asset lives and depreciation rates as was jointly suggested by NZAA and BARNZ in May. A similar section to that found in 5(b)(iii) is needed for ‘disclosure of depreciation rate changes in year of change’.	NZ Airports agrees that this was intended and should be included.
Schedule 5(b)(viii) Definitions required	BARNZ notes that there is no definition or formula provided for determining the annual holding costs or the net revenues. Paragraph 4.4.28 of the Input Methodologies (Airport Services) Draft Reasons Paper indicates that holding costs are ‘the actual or implicit funding charge associated with this capital investment’ and net revenues are ‘revaluations and revenue generated from other interim uses’ but these definitions do not appear to be included within either the Information Disclosure Determination or the Input Methodologies Determination.	NZ Airports has commented on this above.
<b>SCHEDULE 6 – REPORT ON SEGMENTED ASSETS</b>		

NEW TERMS	BARNZ	NZ Airports
Location	BARNZ suggests Schedule 6 would be better located adjacent to Schedules 10 and 11 which contain further information on asset allocations and cost allocations for each of the identified airport activities. Otherwise, at first glance, the segmented information would look relatively sparse to any interested person. In addition, a cross reference to Schedules 10 and 11 could be a useful aide.	NZ Airports will accept the Commission's final determination concerning ordering of the schedules, subject to our previous submission that segmented reporting under schedule 10 and 11 is not appropriate.
Information on asset roll forward	<p>While information on asset classes for each segmented activity is contained in schedule 10 (which is an improvement on the requirements under the AAA Information Disclosure Regulations), there is no requirement to provide any information or report on how the asset class has been rolled forward for each segmented activity. BARNZ considers that information on asset class roll forward needs to be provided for each of the segmented activities in the same format as that contained in Schedule 5(b)(vii). Without this, interested persons will not be able to understand the changes in the asset values and classifications for the segmented activities. For example, an interested person will not know how much airfield land was revalued by or what capital expenditure or changes in allocation occurred with respect to terminal buildings.</p> <p>This is one of the five key instances where BARNZ considers that the draft Information Disclosure Determination fails to provide sufficient information to interested persons to enable them to assess the extent to which the purpose of Part 4 is being met.</p>	NZ Airports has commented on this above and considers that the disclosure proposed by the Commission which shows the roll forward for airport activities in Schedule 5b(vii) Asset Classes combined with closing values divided by airport activities in Schedule 10a Report on Asset Allocations is sufficient. The cost of requiring a change to the process and systems necessary to produce the additional level of detail is unwarranted.
<b>SCHEDULE 7 – CONSOLIDATION STATEMENT</b>		
Location	<p>BARNZ also suggests Schedule 7 would be better located in closer proximity to Schedules 10 and 11 which contain further information on asset allocations and cost allocations between the identified airport activities and unregulated activities.</p> <p>Again, a cross reference to Schedules 10 and 11 could be a useful aide.</p>	<p>NZ Airports notes that Schedule 7 contains no information on the <b>regulated Airport Business</b> which is not captured in Schedule 3a and Schedule 2b, and further detailed in Schedules 10 and 11.</p> <p>Subpart 11 of the Act states that only "specified airport services" are subject to Part 4 information disclosure regulation, therefore the Commission cannot reasonably require information disclosure in respect of activities not defined in section 56A as "specified airport services". NZ Airports reiterates that section 53D(2) states that a 52P</p>

NEW TERMS	BARNZ	NZ Airports
		<p>determination may require information referred to in subsection (3), such as consolidated information, to be disclosed only to the extent required to enable the purpose in subsection (1) to be met. Section 53D(1) states that the purpose of this section is "to enable <i>the Commission</i> to <i>monitor compliance</i> with information disclosure regulation applying to regulated goods or services".</p> <p>NZ Airports believes the specification of consolidated information and reconciliations for public disclosure is beyond the scope of the Act. Indeed, the Commission's justification for the disclosure of consolidated information is that it would allow "interested persons to undertake a meaningful assessment of the regulated part of the business relative to the whole business" and "to provide sufficient information for interested persons" (paragraph 3.155 of the Draft Reasons Paper). This clearly is not a proper justification for disclosure of information regarding the non-regulated business under section 53D.</p> <p>Accordingly, NZ Airports submits that Schedule 7 should be removed from the Information Disclosure Schedules. Further, where possible a reconciliation process between the regulatory accounts and GAAP accounts will be an explicit part of the audit process and if necessary this can be provided on a confidential basis to the Commission for the purposes of compliance monitoring.</p>
SCHEDULE 9 – REPORT ON ACTUAL TO FORECAST CAPITAL EXPENDITURE		
Schedule 9(a) and 9(b) Capital expenditure projects	As previously discussed, BARNZ considers that the \$30m threshold for disclosing individual projects is much too high and will only result in one to two projects per airport for each pricing period being separately disclosed, with there being no projects meeting this threshold for disclosure in many years. BARNZ suggests that \$5m be the threshold for a key capital expenditure project.	NZ Airports recommends the disclosure of all projects with a value exceeding \$30m or the Top 5 projects by value, with a minimum of \$5m as outlined earlier.

NEW TERMS	BARNZ	NZ Airports
<p>Schedule 9(a) Explanation of variance</p>	<p>The Commission is proposing that airport companies provide an explanation for any line item variance of more than 10%. BARNZ recognises that it is desirable and efficient for airports to have the flexibility to bring forward or defer capital expenditure as market circumstances or the physical life of the asset change. Nevertheless, BARNZ considers that 10% is on the high side as a threshold for providing an explanation – particularly as most projects will only be disclosed within a category. An airport could systematically over-estimate capital expenditure by 5% to 9% every year and not be called on to explain this.</p> <p>BARNZ considers that, as a safeguard to any systematic over forecasting, a lower threshold should be required in respect of the variance for the <u>period to date</u>.</p> <p>BARNZ suggests that for the second half of the period the threshold for explaining variances between the actual capital expenditure and that forecast for the period to date should be 5%. This would mean that an airport with a pattern of over-forecasting capital expenditure would need to provide the relevant explanations and justification, whereas an airport which had some projects brought forward, while others were deferred, would not be likely to meet this threshold.</p>	<p>BARNZ has fundamentally changed its view of material capital expenditure projects from \$30m to \$5m. NZ Airports has sought to accommodate this to some extent by proposing \$30m or the Top 5 projects by value.</p> <p>However it is critical that the variance analysis is sensible and this will depend on the threshold set for the projects. Initially the Commission considered that a 10% variation on \$30m, implying variance analysis in the order of \$3m. If the threshold for project disclosure is reduced below \$30m NZ Airports considers that the variation percentage should potentially be increased, but most certainly not reduced to 5%.</p> <p>Annual variances below 10% could be de minimis particularly if it is for a key project which will occur over a number of years or it is a \$5m project.</p> <p>NZ Airports supports the 10% variation analysis for line items and in total for that year (to the extent that it is not explained by the composite project analysis).</p> <p>BARNZ recommendation of a variance analysis periods to date of 5% is unwarranted and in the extreme airports would need to somehow pin-point in year 5 what is contributing to a 5% forecast error overall.</p> <p>BARNZ is incorrect to state that airports will not be called to explain variations. There will be annual commentary on project and total variation and interested parties can review the history of disclosure on this Schedule and at the period to date variance analysis for a project.</p> <p>NZ Airports support the Commission’s initial recommendation of a 10% variation. If the project threshold is reduced it may also be sensible to introduce a \$1m minimum variance threshold floor.</p>

NEW TERMS	BARNZ	NZ Airports
<p>Schedule 9(b) Forecast disclosures following a price setting event</p>	<p>As discussed above in relation to the definition of a price setting event, the Commission may need to provide clarification of whether the annual resetting of a regularly reviewed charge (such as the terminal services charge and jet fuel pipeline charges at Auckland Airport) constitutes a price setting event which triggers this obligation.</p>	<p>NZ Airports agrees that clarification is required and has proposed an alternative.</p>
SCHEDULE 10 – REPORT ON ASSET ALLOCATIONS		
<p>Disclosure of directly attributed assets to unregulated activities</p>	<p>In order to assess the reasonableness of cost and asset allocations between regulated and unregulated activities, it is important to know the costs and assets directly attributable to both regulated and unregulated activities. Currently Schedule 10 does not require the disclosure of assets directly attributed to unregulated activities.</p> <p>BARNZ considers that Schedule 10 should require that the assets directly attributed to unregulated activities are also disclosed. In the absence of this, the totals shown in Schedule 10 will be giving a misleading picture of the assets of the Airport Company and will be likely to cause significant confusion if interested persons make differing assumptions as to what is included and excluded or try and undertake comparisons with the results in Annual Reports published by the Airport Company.</p>	<p>As outlined earlier subpart 11 of the Act states that only "specified airport services" are subject to Part 4 information disclosure regulation, therefore the Commission cannot reasonably require information disclosure in respect of activities not defined in section 56A as "specified airport services".</p> <p>NZ Airports notes that section 53D(2) states that a 52P determination may require information referred to in subsection (3), such as consolidated information, to be disclosed only to the extent required to enable the purpose in subsection (1) to be met. Section 53D(1) states that the purpose of this section is "to enable <i>the Commission</i> to <i>monitor compliance</i> with information disclosure regulation applying to regulated goods or services".</p> <p>NZ Airports submits this section should therefore be read as permitting disclosure of consolidated information for the purpose of the Commission's monitoring and compliance obligations only, and not disclosure to all interested persons. To disclose information about unregulated goods or services outside this purpose would be to act outside the scope of the Commission's authority under the Act.</p> <p>NZ Airports recommends the reconciliation to the total column in Schedule 10 be an explicit part of the audit process and if necessary this can be provided on a confidential basis to the Commission for the purposes of compliance monitoring.</p>

NEW TERMS		BARNZ	NZ Airports
<b>SCHEDULE 11 – REPORT ON COST ALLOCATIONS</b>			
Disclosure of directly attributed costs to unregulated activities	For the same reasons discussed above in relation to Schedule 10, BARNZ considers that the costs directly attributed to unregulated activities should also have to be disclosed within Schedule 11.	See response regarding Schedule 10 above.	
<b>SCHEDULE 12 – REPORT ON RELIABILITY MEASURES</b>			
Party responsible	Schedule 12 currently requires identification of the party responsible for the interruption. BARNZ suggests this be qualified as ‘the party predominantly responsible’ so as to reduce debate if other parties also contributed to an interruption.	NZ Airports supports this suggestion.	
On time departure delay	The schedule proposes disclosure of the total number of flights affected by on time departure delay (OTDD) and the total duration of the delay. Given that OTDD is the key measure indicating the impact of the loss of service on airlines and passengers, BARNZ considers that for this measure greater detail should be provided of the length of the delays, with the frequency of delays being categorised into broad time bands such as, 30 minutes or less, between 30 minutes and 60 minutes, between 1 hour and 2 hours and greater than 2 hours.	NZ Airports notes that this type of analysis was not raised in the industry forum and queries why BARNZ have sought to increase the disclosure in this area. BARNZ could use the same logic for any interruption. NZ Airports believes the base data specified by the joint working group is sufficient. Adding a further dimension will serve to detract from the interpretation of this Schedule.	
Aerobridge availability	BARNZ agrees with the comment by Airbiz that there appears to be duplication measuring aerobridge availability between the measures at lines 51 and 24.	NZ Airports agrees.	
Comment on box on page 18	The purpose of the comment box on page 18 does not appear to be stated. Presumably this is along the lines of ‘Commentary concerning reliability measures’.	NZ Airports agrees.	
<b>SCHEDULE 13 – REPORT ON CAPACITY UTILISATION INDICATORS FOR AIRCRAFT FREIGHT AND AIRFIELD ACTIVITIES</b>			
Title	To avoid confusion BARNZ suggests the defined terms from the AAA be used which are ‘airfield activities’ and ‘aircraft and freight activities’. This would mean the title would read ‘Report on Capacity Utilisation Indicators for Airfield Activities and for Aircraft and Freight Activities’.	NZ Airports agrees.	

NEW TERMS	BARNZ	NZ Airports
Aircraft parking stand terminology	<p>In this schedule the terms ‘aerobridge’, ‘ground’ and ‘remote’ are used, whereas in Schedule 16 the terms ‘airbridge’, ‘contact stand walking’ and ‘contact stand bus’ are used. BARNZ suggests ‘airbridge’, ‘contact stand – walking’ and ‘remote stand – bus’ are the clearest terms. These terms also have the advantage of being able to be used for disclosure of capacity and utilisation for both the specified passenger terminal activities and for airfield activities and aircraft and freight activities.</p>	<p>NZ Airports agrees.</p>
Breakdown of aircraft parking stands	<p>The suggested breakdown of apron stands seems to be significantly more precise than occurs in reality at airports. BARNZ suggests this be simplified to three categories of aircraft, namely:</p> <ul style="list-style-type: none"> <li>• International jet</li> <li>• Domestic jet</li> <li>• Domestic turbo-prop</li> </ul> <p>BARNZ also supports the other suggestions by Airbiz at 13.1 of its letter regarding aircraft parking stands.</p>	<p>NZ Airports agrees.</p>
Breakdown of aircraft movement on the busy day	<p>The suggested breakdown of aircraft movements during the busy day could also be simplified. BARNZ suggests the following categories:</p> <ul style="list-style-type: none"> <li>• International jet</li> <li>• Domestic jet</li> <li>• Domestic turbo-prop</li> <li>• General Aviation</li> <li>• Other (military, non-scheduled, diplomatic)</li> </ul>	<p>NZ Airports is not convinced it is necessary to breakdown General Aviation which is typically used to describe all activity other than scheduled activity.</p> <p>NZ Airports refers the Commission to the Airbiz Capacity and Utilisation Study of May 2010. General aviation statistics on the busy day are as follows:</p> <ul style="list-style-type: none"> <li>• Auckland 18 /450 – 4%</li> <li>• Wellington 24/323 – 7%</li> <li>• Christchurch 14/234 – 6%</li> </ul> <p>Splitting of general aviation into General Aviation and Other is not warranted.</p>

NEW TERMS	BARNZ	NZ Airports
Breakdown of aircraft movement during the busy hour	Currently disclosure is only required of the total number of aircraft movements during the busy hour. BARNZ considers that the information would be more meaningful if the aircraft movements were broken down using the same categories as for the busy day. This would indicate the degree to which capacity during the busy hour is being consumed by different aircraft types.	NZ Airports does not support the breakdown of movements in the busy hour using the above categories. Airbiz has advised that whilst it is confident that the breakdown of aircraft categories appearing in the busy day will be representative and consistent year on year, it does not believe that the breakdown of aircraft categories appearing in the 30th busy hour will be representative or consistent year on year. This is because the 30 <sup>th</sup> busy hour will not necessarily be at the same time of the day year on year. NZ Airports believes the disclosure of total aircraft movements during the busy hour is more appropriate and sufficient.
<b>SCHEDULE 14 – REPORT ON CAPACITY UTILISATION INDICATORS FOR PASSENGER TERMINAL ACTIVITIES</b>		
Title	BARNZ recommends the title be aligned with the defined term 'Specified Passenger Terminal Activities'.	NZ Airports agrees.
<b>SCHEDULE 15 – PASSENGER SATISFACTION INDICATORS</b>		
Commentary box	The box beneath the report is without a title or description.	NZ Airports agrees.
<b>SCHEDULE 16 – REPORT ON ASSOCIATED STATISTICS</b>		
ii) Domestic landings	<p>BARNZ suggests that disclosure should occur under the following categories:</p> <ul style="list-style-type: none"> <li>• Scheduled aircraft 3 tonnes and less</li> <li>• Scheduled aircraft greater than 3 tonnes but less than 30 tonnes</li> <li>• Scheduled aircraft equal to or greater than 30 tonnes</li> </ul> <p>However, disclosure for scheduled aircraft 3 tonnes and less should be reduced to simply requiring disclosure of the number of landings and total MCTOW as is the case for military and diplomatic aircraft, freight aircraft and other aircraft.</p> <p>Scheduled aircraft greater than 3 tonnes should still be disclosed by aircraft type.</p> <p>The total MCTOW and number of movements should also be shown.</p>	These are acceptable alternatives however as NZ Airport recommended the listing by aircraft type should be prioritised by volume and the top 80% by volume listed explicitly, with the remainder categorised as other.

NEW TERMS	BARNZ	NZ Airports
16b Terminal access	<p>BARNZ considers the clearest terminology for both different types of terminal access and hard stands is:</p> <ul style="list-style-type: none"> <li>• airbridge</li> <li>• contact stand – walking</li> <li>• remote stand – bus</li> </ul>	<p>As outlined in our previous submission NZ Airports believe this section should be removed as there is no readily available data source and collection of this data will be difficult and costly.</p> <p>Aircraft movement data comes from Airways Corporation and does not record the stand allocated. Stand allocation is highly tactical on an operational basis and is not recorded electronically on a continuous basis. Further the domestic stand allocation is sometimes managed by the airlines rather than the airports. For example at Auckland all Air New Zealand domestic operations are self managed by Air New Zealand. At Wellington Air New Zealand manages gate allocation for international and domestic services. NZ Airports would expect that new systems and processes would be required to collect this data and do not believe it is sufficiently insightful to warrant disclosure.</p>
16b Terminal access	<p>BARNZ considers that the issue of terminal access really only applies to international flights and domestic jet operations. Domestic turboprop operations will virtually always use a walking contact stand. Therefore, to reduce the cost of data collection BARNZ suggests the measures in 16b be confined to domestic jet flights and international flights.</p>	<p>The proposed alternative disclosure would still be costly and require combinations of data from sources airports do not have access to.</p>
16c Domestic transit and transfer passengers	<p>BARNZ agrees with Airbiz' comment that it is not practicable to report the number of domestic transit and transfer passengers as there is no readily available data source.</p>	<p>NZ Airport agrees.</p>
16f Human resource Statistics	<p>BARNZ requests that the number of FTEs and total human resource costs be required to be disclosed for each segmented activity.</p> <p>BARNZ has found tracking FTEs per passenger separately within airfield activities and specified passenger terminal activities over the past 10 years to be a useful litmus test of efficiency improvements. In addition, changes in staff allocations provide a very transparent indicator of the degree of change in allocation methodologies, particularly with respect to corporate overhead staff.</p>	<p>NZ Airports is unclear why this extra disclosure is warranted. The allocation of costs and associated allocators is set out in Schedule 11a Report on Cost Allocations. As submitted earlier NZ Airports support the aggregation into aeronautical FTEs.</p>

NEW TERMS	BARNZ	NZ Airports
<p>Disclosure of charges</p>	<p>BARNZ suggests it would be useful for there to be annual disclosure of the charges payable to the airport for identified airport activities as is currently the case under the Airport Authorities Information Disclosure Regulations. Disclosure purely after a Price Setting Event is unlikely to be sufficient as all three airports have now adopted the practice of setting a pricing path under which charges vary every year. Moreover, some charges (such as the terminal services charge at Auckland Airport) are set on a cost recovery basis and vary every year. BARNZ suggests it would be helpful if disclosure of prices occurred for the new financial year as well as the financial year just ended.</p>	<p>There appears to be some confusion as to the purpose of Schedule 18. In this example BARNZ are seeking a disclosure of the current year as well as the forthcoming one, in which case the Schedule would need to reflect the particular price architecture for each Airport. In other references to Schedule 18 BARNZ have requested data on the effective charge including leases.</p> <p>First, NZ Airports supports publishing the airport price schedules but believes these should be separate to Schedule 18. NZ Airports believes it is important that the Commission does not specify the Schedule in a manner that seeks to influence pricing, the Schedules should be free form.</p> <p>With respect to Schedule 18 a number of the proposed disclosures reflect current arrangements at particular airports and for particular arrangements in place today. This Schedule is already overly specific to some airports and will become even more meaningless as Airports adapt to changes in the market and review their price architecture (e.g. to move from say a 3 tonne to a 5 tonne weight break or move away from weight breaks altogether to for example long-haul an short haul).</p> <p>It is important the specification of the Schedule is fit for purpose. As currently specified Schedule 18 it risks requiring several cuts of data which do not reflect how the business operates and items of relative immateriality. For example none of the Airports charge specifically for freight landed, parking charges are minor and the terminal service charge only exists in one airport. To put the parking charges in context these are nominal at all airports. For Auckland Airport they total less than \$8000, approximately 0.0039% of aeronautical revenues.</p>

NEW TERMS	BARNZ	NZ Airports
Average landing charge per pax for domestic flights under 3 tonnes	For its part, BARNZ does not consider that the average landing charges per passenger for domestic flights under 3 tonnes will be particularly relevant given that most movements under 3 tonnes will be GA flights which usually do not have paying passengers. Moreover, as these aircraft are unlikely to use the terminal the airport is also unlikely to have records of any passengers.	As pointed out above this assumes landing charges are levied on the basis of MCTOW weight breaks which may or may not endure or may change over time. NZ Airports does not agree it is appropriate to publish statistics for aircraft under 3 tonne, that is GA flights. Publication of the Pricing Schedule should be sufficient. The airports typically have little do with the daily operations of GA operators with aircraft access to the runway managed by Airways Corporation and GA apron areas being separated from aprons for passenger services.
Domestic weight breaks	BARNZ considers that it would be useful for there to be an additional weight break at 30 tonnes for domestic flights, so measures would be disclosed with respect to domestic flights under the following categories: <ul style="list-style-type: none"> <li>• Aircraft 3 tonnes or under (average landing charge per tonne of MCTOW only)</li> <li>• Aircraft over 3 tonnes and under 30 tonnes (average landing charge per passenger and per tonne MCTOW)</li> <li>• Aircraft 30 tonnes and over (average landing charge per passenger and per tonne MCTOW)</li> </ul>	NZ Airports agrees with the BARNZ proposal for domestic flights but does not agree that landing charges should be prescribed on a MCTOW basis for GA aircraft as commented on above.
Average parking charges	It is BARNZ' understanding that parking charges are not often charged in New Zealand. BARNZ therefore questions whether there would be sufficient benefit from requiring airports to disclose the average parking charge per aircraft per day. A simple disclosure of the revenue earned each year from parking charges could be an alternate disclosure which should be simpler to prepare but at the same time provide interested persons with sufficient information.  The disclosure of revenue from parking charges could either occur in Schedule 3 as a note to airfield revenue or in Schedule 18.	NZ Airport agrees that the revenue from parking is modest and not sufficiently material to warrant additional disclosure in Schedule 3 or 18.

NEW TERMS	BARNZ	NZ Airports
Average freight income per tonne MCTOW	<p>The Commission is proposing ‘average freight income per tonne MCTOW’ be disclosed.’ BARNZ has a number of queries about this measure and would like to understand it better. A large amount of freight is carried in the hold on scheduled passenger services, thus the proposed measures will not be reflecting all of the landing charge income or MCTOW associated with freight. Moreover, aircraft and freight activities cover a wide range of services including facilities and services for refuelling aircraft, flight catering and waste disposal. It is not clear to BARNZ what the relationship is between aircraft and freight activities (as per the heading within schedule 18) and the term ‘freight income’ used within the measure. From the definitions, freight income appears to encompass some, but not all, aircraft and freight income.</p> <p>It is difficult for BARNZ to be able to comment meaningfully on this measure without a better understanding the Commission’s purpose in developing this measure. At this stage BARNZ is unclear whether the measure in its current format would provide any meaningful information.</p>	<p>NZ Airports agrees this metric is questionable. None of the airports has specific charges per MCTOW for freight and further the airports do not receive specific revenue attributable to freighter or freight “belly” income to Aircraft and Freight. Charges are levied on a MCTOW or passenger basis.</p> <p>NZ Airports acknowledge there is a paucity of data for interested parties on aircraft and freight in the Information Disclosure. A contributing reason is that airports do not have access to robust freight information.</p> <p>NZ Airports also notes that Freight Volumes forecasts are specified in Schedule 20.</p> <p>If the airports are required to provide freight statistics and demand forecasts for interested parties new information feeds will be required from the airlines to verify the actual base freight volumes on airport. Depending on whether the Commission believes this information is sufficiently important to interested parties the airports will need to work with BARNZ and the airlines to verify base freight volume data.</p>
Average terminal service charge measures	<p>As discussed above when commenting on the definitions, terminal access charges are currently only a relatively small proportion of terminal charges. At this stage for a New Zealand disclosure regime, BARNZ does not see it as necessary for terminal service access charges to be separated out from passenger service charges for the purposes of calculating average charges per passenger. BARNZ does not believe that the benefit from calculating average terminal service income will outweigh the cost of collecting the necessary data to calculate the average actual charge.</p> <p>Instead BARNZ suggests that the Pricing Statistics Report should disclose ‘average actual income from all terminal charges (that is, both passenger service income and terminal service income) per domestic passenger and per international passenger’.</p>	<p>NZ Airports recommends the terminal service charge measures are removed. See comments above.</p>

NEW TERMS	BARNZ	NZ Airports
	<p>In addition, following a Price Setting Event, the airport should be required to disclose the following information:</p> <ul style="list-style-type: none"> <li>• Any domestic and international terminal service charges; and</li> <li>• An explanation of price differentials (if any) between flights having different means of accessing the terminal (i.e. airbridge access, contact stand walking and remote stand bus).</li> </ul>	
Average passenger service charge per domestic passenger	This measure is currently missing from Schedule 18. BARNZ considers that the average passenger service charge per domestic passenger is an important measure for interested persons.	As commented above NZ Airports believes this metric may require an element of judgement.
<b>SCHEDULE 19 – REPORT ON THE TOTAL FORECAST REVENUE REQUIREMENTS</b>		
19b(iii) Capital Expenditure projects	<p>As noted earlier in this submission, a \$30m threshold for disclosing capital expenditure projects will only result in one or two projects for each airport per pricing period being required to be disclosed. The ten lines provided in the spreadsheet are unlikely to be filled and it is extremely unlikely that additional rows will be required. The vast majority of forecast capital expenditure will be contained in the ‘other capital expenditure’ line.</p> <p>As BARNZ has already noted, it considers a much lower threshold is required for key capital expenditure projects and believes \$5m would be an appropriate threshold. An alternative approach would be to apply the ‘top five projects’ threshold proposed by the Commission for information disclosure requirements for electricity distribution businesses and gas distribution businesses.</p>	NZ Airports has commented above it recommends disclosure of all projects over \$30m or top five projects subject to minimum of \$5m.
<b>SCHEDULE 20 – REPORT ON DEMAND FORECASTS</b>		
Schedule 20 Passenger terminal demand	It would be useful for international transit and transfer passengers to also be forecast. At Auckland Airport there are nearly one million international transit and transfer passengers per annum which form a significant portion of passenger volumes. As transit and transfer passengers only use airside facilities and only pay charges relating to airside facilities, any analysis by interested persons needs to be able to take account of transit and transfer passengers.	<p>NZ Airports ‘considers that the purpose of Schedule 20 is to provide interested parties forecasts of total demand and peak hour demand.</p> <p>NZ Airports does not believe forecasts of international transit and transfers information is necessary. The rationale behind requiring this information is specific to one airport and is a matter for AAA consultation. Over time particular nuances may arise in other forums (such as pricing) for different airports. Information disclosure should</p>

NEW TERMS	BARNZ	NZ Airports
		<p>focus enduring metrics which can be tracked over time and have a good degree of commonality between airports.</p> <p>NZ Airports agrees that a Commentary box should be added to this Schedule.</p>
Sch 20 Aircraft runway movements – busy hour	Schedule 20 currently proposes disclosure of the inbound flights during the busy period. Given that the runway capacity is consumed by both arriving and departing flights, BARNZ supports the Airbiz suggestion that the disclosure should be of ‘total aircraft movements during the runway movement busy hour’.	NZ Airports agrees.
Aircraft runway movements – disclosure of international and domestic movements	When forecasting growth in airfield use, understanding and predicting likely increases (or decreases) in demand for domestic and international passenger travel is key. As such, BARNZ considers that the forecast demand should separately show ‘scheduled international passenger aircraft’ and ‘scheduled domestic passenger aircraft’. We understand this recommendation is included in the Airbiz letter.	NZ Airports agree that for longer term planning more can be learned from forecasting of volumes of domestic and international travel, than the inbound outbound forecast proposed in the Draft Determination by the Commission.
Aircraft runway movements – disclosure by aircraft weight	<p>Where disclosure of forecast inbound flights is broken down by weight, BARNZ considers that three weight breaks should be applied rather than the two currently proposed by the Commission:</p> <ul style="list-style-type: none"> <li>• Aircraft 3 tonnes or under</li> <li>• Aircraft over 3 tonnes and under 30 tonnes</li> <li>• Aircraft 30 tonnes and over</li> </ul>	NZ Airports has accepted this recommendation above.
Commentary box	The suggestion by Airbiz that space be provided for any commentary to the demand forecasts is supported by BARNZ.	NZ Airports agrees.
<b>SCHEDULE 27 – REPORT ON INITIAL REGULATORY ASSET BASE VALUE</b>		
	BARNZ request various additional reports in addition to Schedule 27.	NZ Airports has responded to the BARNZ comments on Schedule 27 in the key issues section above.