

12 January 2012

Karen Murray
Manager, Regulation Branch
Commerce Commission
PO Box 2351
Wellington

Dear Ms Murray

**WELLINGTON INTERNATIONAL AIRPORT LIMITED SUBMISSION ON DRAFT COMMERCE ACT
(SPECIFIED AIRPORT SERVICES INFORMATION DISCLOSURE) AMENDMENT 2010 –
CONSULTATION PAPER**

- 1 Wellington International Airport Limited (WIAL) appreciates the opportunity to provide a submission on the matters raised in the Commerce Commission's (Commission) Consultation Paper (Paper) and the Draft Amended Information Disclosure Determination for airports.
- 2 The consultation period provided by the Commission for WIAL to prepare its submission has included the end of year holiday break. WIAL is also in the process of finalising its first set of annual disclosures. This has meant that whilst WIAL has considered the determination changes proposed in the Commission's Paper it cannot yet confirm whether other changes might still be appropriate. WIAL will advise the Commission of any other changes that may be appropriate as soon as they are identified.
- 3 In this submission we comment on the main issues raised in the Paper and attach at Appendix 1 our comments on the detailed amendments listed in Attachment 1 to the Paper. We also provide comment at Appendix 2 on our proposed amendments to the Draft Amended Determination.

Director Certification

- 4 WIAL appreciates that the Commission has considered our earlier submissions and proposes to recognise the requirement for compliance in "all material respects" in the director certifications.
- 5 WIAL supports the amended wording of the certificates in Schedules 20 to 22.

Addressee of Audit Report

- 6 WIAL accepts the advice of its auditor, KPMG, and therefore supports the proposed amendment made by the Commission.

Timing of Price Setting Event Disclosure

- 7 WIAL again appreciates that the Commission has considered our earlier submissions and proposes an extension in the period for publication of the price setting event disclosures.
- 8 WIAL however remains concerned that the increase to 40 days proposed by the Commission, while a substantial relief from the current 20 day period in the Determination, is still too constrained to enable the directors and its external advisors to undertake the necessary comprehensive verification processes required for this disclosure.

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- 9 WIAL accepts the Commission's view that timely disclosures are important to allow interested persons to assess whether the purpose of Part 4 is being met. WIAL considers that a 60 day period for these disclosures does meet the requirement for timely information, particularly when recognising that future price setting disclosures will be expected to remain current for the period between price setting events, which is typically 5 years.
- 10 WIAL also notes the contrast with the deadline for publication of annual information disclosures, from 2012, where publications must be made within five months of year end. This timing is appropriate given the requirement for airports to prepare their annual financial reporting before they can complete the regulatory reporting and WIAL does not consider that the five month period diminishes the timeliness of the information.
- 11 WIAL is not seeking to replicate the five month period for price setting disclosures but continues to request that 60 working days is a more appropriate deadline for the publication of price setting event disclosures.
- 12 If you should wish to discuss this submission further please do not hesitate to contact me at mharrington@wellingtonairport.co.nz or 04 385 5105.

Yours sincerely



Martin Harrington
Chief Financial Officer

APPENDIX 1: SUMMARY OF REQUESTS FOR AMENDMENTS AND AMENDMENTS PROPOSED BY COMMISSION

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
1.4 Interpretation	<p>“Forecast operational expenditure” is defined in the ID Determination as the forecast “operational expenditure”, however, “operational expenditure” is defined as the operating costs after applying Part 2 of the IM Determination.</p> <p>This is a publishing error - the definition is recursive, and the term ‘operational expenditure’ should not be bold.</p>	<p>The term “operational expenditure” in the defined term “Forecast operational expenditure” not be bolded</p>	<p>Agreed.</p>
2.5(1)(e), 2.5(1)(f)(i)	<p>There is nothing to distinguish between the description of “aims and objectives” under clause 2.5(1)(e) with the requirement in clause 2.5(1)(f)(i)</p>	<p>Subclause 2.5(1)(e) relates to 10 years, subclause 2.5(1)(f) relates to 5 years.</p> <p>In clause 2.5(1)(e), the aims and objectives description should only relate to key capital expenditure projects and not ‘any proposed investments’. The Commission proposes to delete 2.5(1)(f) and clarify 2.5(1)(e).</p>	<p>WIAL agrees with the intent of the amendment to clause 2.5(1)(e) but suggests a further amendment to remove the requirement to disclose the aims and objectives of forecast capital expenditure by “category”. Disclosure of the aims and objectives of key capital expenditure “projects” will provide sufficient comment on the material components of each capital expenditure category. If the aims and objectives of each category are required the airport may have to comment on smaller forecast items within each category. WIAL’s proposed wording amendment is shown in Appendix 2.</p>

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Schedule 18b (iii)	The note to Schedule 18b(iii) states that year 0 disclosure applies only if the pricing period starting year and the year of the most recent disclosure do not coincide. The pricing period starting year was FY08. The year of the most recent disclosure would be FY11.	The note in Schedule 18b(iii) requires airports to disclose the roll-forward of the asset base from the most recent disclosures to the asset base used for the price setting event where they do not coincide. This is not applicable for the clause 2.10(3) disclosure. The note and date heading to schedule 18 have been amended to make this clear.	<p>The Commission notes in its proposed amendments that it intends to delete clause 2.5(1)(f). Presumably this reference is intended to be 2.5(1)(f)(i).</p> <p>In addition, the numbering of the paragraphs in 2.5(1)(f)(i) and onwards needs to be changed to reflect this deletion.</p> <p>Agreed.</p>
Schedule 21	There is a mismatch between the information required to be certified under clause 2.7(2) and the information that is certified under Schedule 21.	The director certification detailed in schedule 21 has been amended to align to clause 2.7(2).	<p>WIAL considers that the Commission has not fully resolved this mismatch. Clause 2.7(2) refers to the information pursuant to clause 2.5(1)(a) - 2.5(1)(f) whereas the Schedule 21 certificate refers to the information prepared for the purposes of clause 2.5.</p> <p>Agreed.</p>
Schedule 1b(ii) RIV calculation	It is unclear whether the term 'proportionate' used in this schedule refers to the proportion of the year that the asset is available.	Include a definition for 'proportion of year available' and revised the term 'proportionate regulatory value' to clarify.	<p>Agreed.</p>

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Schedules 9a, 10a Allocator types	It is unclear whether the allocator in 9a and 10a is meant to refer to (a) a description of, or (b) the numeric value of, the metric.	Amend the defined term 'allocator' to clarify the requirement. Also added an explanatory note in schedules 9 and 10.	Agreed.
Schedule 10a, Clause 1.4 Operating costs	Operating costs relating to excluded assets are not separately identified in schedule 10a. It is not clear if they are intended to be captured in 'net revenues' for excluded assets in Schedule 4b(viii).	Operating costs should exclude costs relating to excluded assets. The definition of operating costs in the ID Determination is amended to exclude costs incurred in providing 'excluded services' as defined in the IM Determination'.	Agreed.
Clauses 2.3(1)(a)(ix), 2.10(1)(b), Schedule 9 Transitional year disclosure	It is unclear whether multiple versions of schedule 9 should be completed in the transitional year.	Three versions of schedule 9 are required in the transition year: in respect of the initial RAB value (effectively for the year ended 2009) under clause 2.10(1)(b)(i) in respect of the RAB value for the year ended in 2010 under clause 2.10(1)(b)(ii) in addition, a disclosure is required for the 2011 disclosure year under clause 2.3(1)(a)(ix).	Agreed, although the additional schedules are not included in the Amended Determination. We do note that these were provided in an earlier version of the spreadsheet templates for the required disclosures.
Schedule 14 Passenger survey sampling requirements	It is not clear whether the error requirement specified in clause 2.4(3)(c) is to apply to the total surveys performed in the year or for the individual surveys performed each quarter.	To assist in preparing the transitional disclosures, we have proposed adding two sheets to the template workbook: 'S9.Asset Allocation (2010)', 'S9.Asset Allocation (2009)'. Amend the margin of error requirement specified in clause 2.4(3)(c) so that it applies to total surveys completed during the disclosure year. A note has also been included in schedule 14 to notify readers that the quarterly survey results may not be statistically	Agreed although annual surveys are not undertaken. WIAL proposes that the note wording in Schedule 14 be amended to "The margin of error requirement specified in clause 2.4(3)(c) of the

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		correct.	<i>determination applies only to the combined quarterly survey results for the disclosure year. Quarterly results may not conform to the margin of error requirement."</i>
Schedule 2b(i) Long term credit spread	It is unclear when Schedule 2b(i) should be completed.	Add a note in schedule 2b(i) to clarify it is only required to be completed at the end of a disclosure year where the weighted average original tenor of the airport's qualifying debt and non-qualifying debt is greater than five years.	Agreed. At a more fundamental level WIAL has had difficulty in undertaking a calculation of the long term credit spread. WIAL would appreciate either assistance from the Commission or a technical advice to ensure the appropriate outcomes are being achieved.
Schedule 4 RAB value	The segmented information requires disclosure of RIV and not RAB at the present time, so cell C51 (which requires the airport to align the Roll Forward RAB with the segmented information) is not valid at the present time.	Add a note in schedule 4 to clarify that the RAB must correspond with the total assets value disclosed in schedule 9 Asset Allocations.	Agreed.
Schedules 4b(viii), 23b(iii) Assets held for future use	For each of the four individual input columns of the table, it is unclear whether the value calculated in the last row should be carried forward to the first row from one disclosure year to the next.	The end of year balance for each column is required to be rolled forward to the next year. A note has been included to highlight this requirement in schedules 4 & 23: 'Holding Costs, Net Revenues, and Tracking Revaluations entries in the 'Assets held for future use—additions' line relate to the value incurred during the disclosure year' and	Agreed.

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Schedule 6a Actual to forecast expenditure		<p>‘Each category value shown in the ‘Assets held for future use’ line (Base Value, Holding Costs, Net Revenues, and Tracking Revaluations) is carried forward into the following year’s disclosure as ‘Assets held for future use—previous year’.</p>	
Schedule 6a Actual to forecast expenditure	<p>These cells could be linked to the appropriate references in Schedule 18 for ease of use.</p>	<p>We have: Changed the input cells to calculation cells, with calculations based on the disclosures in 6b; Added row 66 to identify the index number (1-5) of the pricing period forecast year that corresponds to the current disclosure year.</p>	<p>Agreed.</p>
Schedule 12 Comment	<p>The explanatory note for the comment seems to relate to schedule 11 rather than schedule 12.</p>	<p>We have moved the note from schedule 12 row 72 to schedule 11 row 80.</p>	<p>Agreed.</p>
Schedule 13 Baggage (outbound) & Baggage reclaim	<p>The number of bags processed in the passenger busy hour is determined at present using a notional calculation. The asterisk on the Schedule appears to apply to both capacity and bags processed, but the wording is less clear.</p>	<p>The disclosed number of bags processed should be the total processed by the Airport and other parties. Any estimate should be reasonably derived, and noted in the commentary box. The text in the note cells has been changed to: ‘Please describe in the capacity utilisation indicators commentary box how notional capacity and bags processed have been assessed’.</p>	<p>Agreed.</p>
Schedules 18, 19	<p>Year 1 in schedule 19 is different to the date used for year 1 in Schedule 18. This may create some confusion for the reader.</p>	<p>The date formula in schedule 19 was incorrectly linked to the year of most recent disclosure. To reflect the terminology used in schedule 6b, the</p>	<p>Agreed.</p>

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Schedule 23b(ii) Works under construction	Cell N90 is not adding in a share of the opening Works Under Construction balance nor is it shaded as a calculation cell. Opening allocated balances do not flow into cells L85 and 86.	The reason for requiring allocation of Works under Construction is to allow interested persons to reconcile their assessment of capital expenditure with the roll-forward of the RAB (from ID Reasons Paper, para 3.143). An opening balance cell N89 is now added.	Agreed.
Schedules 9, 10 Allocators	Parties have requested additional asset allocator rows	The number of asset allocator rows and cost allocator rows has been increased from 22 to 60.	Noted.
Schedules 9b(i), 10b(i) Changes in asset allocators	These schedules contain space for three changes in cost allocators. While in some years there may well be no changes, in other years there may be many. Parties have requested an additional sheet where necessary.	Space has been added for a further four changes. There is room to expand the table back into the previous page if necessary.	Noted.
Schedule 16d	There is not enough space for all the international airlines operating at Auckland Airport to be listed.	The Commission will take guidance from regulated suppliers on the number of rows required. We have: Increased the number of airline disclosure cells from 10 local + 10 international to 20 local + 20 international. Moved the note, previously located alongside the entry cells, up into a new row 149.	Noted.
Schedule 18b(iii)	There are too few entry rows for 'capital expenditure by key capital expenditure project'	The number of entry rows has been increased to 20.	Noted.

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Forecast capital expenditure			
Schedule 23b(iv) Land	Parties have requested additional categories for the breakdown of land.	The number of land categories has been increased from 7 to 15.	Noted.
Schedule 18	Parties have requested changes to the classification of information on schedule 18.	<p>For the transitional disclosure in accordance with clause 10(3) factors that do not appropriately fit in the specified categories should be entered in the 'other factors' box.</p> <p>For future disclosures, new lines have been included in schedule 18 for 'revenue requirement not applicable to price setting event' and 'revenue smoothing adjustment' with associated definitions included in clause 1.4. 'Forecast total revenue requirement' has also been defined. A requirement to disclose information relating to 'revenue requirement not applicable to price setting event' has also been included.</p>	Refer to the various comments regarding definitions as set out in Appendix 2.
1.4 Interpretation	The ID determination defines RAB (tax value) and provides that "... The RAB (tax value) for the previous disclosure year in the initial disclosure year will not be greater than the RAB value." This creates inconsistencies with clause 4.1(3)(b) of the IM determination which requires depreciation to be calculated by applying the tax rules.	Sub clause (b) of the RAB (tax value) definition has been included in error. The Airports IM determination does not allow for RAB (tax values) to be capped by the RAB value as was provided for in the EDBs, as was explained in the Commission's reasons paper. The Commission has removed sub clause (b) of the defined term RAB (tax value)	Agreed.
Schedules 2, 6 and 10	Parties cannot breakdown operating costs into three cost classifications in the initial year, as they were not	It would not be appropriate for operating costs by category to be disclosed in the 2011 year if	Agreed.

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
	prepared on that basis.	<p>information was not prepared on this basis during that year. Clause 2.10(5) had included transitional provisions for this but only for schedule 6.</p> <p>NZAA submitted on 5 November 2010 that they agreed to the Commission's decision to require the disclosure of operating expenditure categories.</p> <p>Transitional provisions that do not require cost breakdown have been included.</p>	
Clause 2.5	There is a degree of uncertainty with regard to the timing of a price setting event (triggering the 20 working day clock on disclosure).	The clause is amended to clarify that the time commences on the date of the decision to fix or alter prices.	WIAL appreciates the Commission has intended to provided further clarity but suggests that this could be enhanced by referencing the timing to the "notification by an airport to its customers of a schedule of amended prices."
Clause 2.5	There is insufficient time to complete the disclosure following a price setting event and it is requested that the period to disclose is extended to 60 working days from 20 working days.	The requirement to disclose information following the date of the decision to fix or later prices is extended to 40 working days.	Refer to covering submission letter. WIAL requests that 60 working days is appropriate.
Clause 2.6	Auditors have provided feedback that the audit report needs to be addressed to directors and not interested persons	Amend the audit requirements so that the audit report can be addressed to directors with a duty of care to the Commission acknowledged in the report	Agreed. Refer to WIAL's covering submission letter.
Schedules 21, 22 and 23	The concept of materiality is not included in the director's certification	The director's certifications are amended to include the concept of materiality	Agreed. Refer to WIAL's covering submission letter.
Schedules 4b(iv), 23b(i)	The indexed revaluation calculation does not fully reflect the IM determination	Amend schedule 4b(iv) and schedule 23(i) to include adjustments for 'revalued land', 'assets with nil	Agreed.

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Indexed revaluation		physical asset life', 'asset disposals' and 'lost asset adjustment' and include definitions where necessary	
Schedules 4b(v), 23b(ii) Works under construction	The works under construction roll-forward does not fully reflect the IM determination.	Amend schedule 4b(v) and schedule 23b(ii) to include adjustments 'offsetting revenue' and 'adjustment resulting from cost allocation' and include definitions where necessary	Agreed.
Schedule 5(i) Summary	The definitions of terms used in schedule 5(i) do not relate to the purpose of the disclosure	Amend defined terms 'net operating revenue' and 'operating expenditure' and include definitions for 'market value of asset disposals' and 'other related party transactions' and amend schedule 5 so these terms and 'related party capital expenditure' are used.	Agreed.
Clause 2.10(1)(b)(i)	The references in clause 2.10(1)(b) do not fully reflect the IM determination.	Amend clause 2.10(1)(b) to align with the IM.	Agreed.
Schedule 7 Segmented information	The RIV components in segmented information table do not include an Allowance for long term credit spread entry. This means the formula for airport business Regulatory profit/tax differs from that in Schedule 2	Insert a row "Allowance for long term credit spread" in schedule 7	Agreed.
Schedule 7 Segmented information	The RIV components in segmented information table are listed in inconsistent order.	The row sequence be changed to provide consistency with schedule 4.	Agreed but the Commission's comment should refer to Schedule 2.
Schedule 7 Segmented information	The explanatory note does not accurately reflect the requirement.	The schedule 7 note be changed from "** Corresponds to the Regulatory Profit Statement" to "*" Corresponds to values reported in the Regulatory Profit Statement and the Report on Return on	Agreed, but the term "Regulatory Profit Statement" should be amended to "Report on the Regulatory Profit."

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
Schedules 9a, 10a Public information	There is an extraneous heading	Investment.” The heading ‘Public Information’ be removed.	Agreed.
Schedule 4b(iv) Indexed revaluation	The term ‘year’ has been used in some instances where it should be ‘disclosure year’.	The term ‘year’ be replaced with ‘disclosure year’ in: D83 (to ‘RAB value—previous disclosure year’); and D121 (to ‘Assets held for future use—previous disclosure year’).	Agreed.
Schedule 4b(viii) Assets held for future use	Parties have requested an explanatory note to make it clear that the asset class category total should correspond to the RAB roll forward values.	A clarifying note be inserted as follows: “* Corresponds to values in RAB roll forward calculation.”	Agree with the intent of the Commission’s change however: <ul style="list-style-type: none"> • We assume this reference is intended to be to Schedule 4(b)(vii) relating to Asset Classes; and • Suggest that the * be located against the RAB Value narrative in the last row 118 of the table.
Schedule 13 Terminal categories	There is no explanation of ‘Common Area’.	A clarifying note be added to the column heading “Common Area” inserted: “† For functional components which are normally shared by passengers on international and domestic aircraft.”	Agreed.
Schedule 18b(iv)	The label in totals row incorrectly lists ‘Total operational expenditure’ instead of ‘Forecast operational expenditure’.	The label in row 155 be changed to reflect the defined term ‘Forecast operational expenditure’.	Agreed but it is unclear that this has been changed in the amended Determination at row 153 in the

Clause reference	Description of clarification or amendment sought	Proposed amendment	WIAL Comment
			circulated amendment.
Schedule 23a Initial RAB value	Tautology.	The label 'initial RAB value—year ended 2009' be removed and replaced with the defined term 'initial RAB value'.	Agreed.
Schedule 4b(v) Works under construction	The allocated capital expenditure is not linked to an input cell.	This is a publishing error - change from an input cell to a calculated cell	Agreed.
Schedule 4 RAB value	The indexed revaluations are not linked to input cells.	This is a publishing error - change from an input cell to a calculated cell	Agreed.
Schedule 4b(iv) Indexed revaluation	Cells J83 and N83 not linked to correct input cells.	This is a publishing error - change cell references accordingly.	Agreed.
Various	Typographical errors	Various amendments to typographical errors be made	N/A.

APPENDIX 2: WIAL QUERIES OR PROPOSED AMENDMENTS TO INFORMATION DISCLOSURE DETERMINATION

The following proposed amendments to the Information Disclosure Determination are in addition to those proposed by the Commission in its Paper.

Clause	Proposed WIAL Amendment
2.5(1)(e)	<p>publicly disclosing the aims and objectives of the airport's forecast capital expenditure by category and the aims and objectives of key capital expenditure projects as disclosed in accordance with Schedule 18</p>
2.5(1)(h)	<p>WIAL appreciates the Commission's rationale for this requirement but considers that there needs to be further clarity to ensure a reasonable balance is established regarding the level of information that needs to be disclosed.</p> <p>For WIAL, the revenue to be included in this disclosure predominantly comprises commercial lease arrangements with individual property tenants. WIAL believes it is appropriate to disclose the total revenue earned from this source, or other types of revenue where they exist, and provide a description of this service as required by the Commission. However, WIAL wishes to ensure that the requirement to disclose information on "each service" in the clause does not extend to detail such as individual leases. Disclosure at this level would require a considerable amount of detail, which we consider is not required, would be more costly and inefficient to produce and result in commercially confidential agreements becoming public.</p> <p>WIAL proposes that the term "service" in the definition be replaced with "category of revenue".</p> <p>WIAL is also unclear on the wording of sub clause (iv). For this revenue a price setting event takes place each time a new lease is negotiated and hence there are many of them over a period of time. WIAL considers that this disclosure should require a description of the process to undertake price setting events at a revenue category level. Proposed wording is:</p> <p><i>"(iv) a description of the process undertaken for price setting events relating to each category of revenue"</i></p>
2.6(2)	<p>WIAL queries whether several references in this sub clause should be amended where reference to subclause (1)(a)(vi) should be (1)(a)(vii), reference to clause 2.6(2) should be 2.6(3) and reference to subclause (v) should be (vi).</p>
Definitions	

Clause	Proposed WIAL Amendment
adjustment from cost allocation	(b) in relation to works under construction , the adjustment to the value of allocated works under construction to account for changes in allocation of assets capital expenditure in works under construction ;
airside circulation inbound – floor space	Sub numbering appears to have changed in definition. Not clear this is correct.
assets with nil physical life	It is unclear why this adjustment is required. If assets have a nil physical life then following application of the depreciation formula (book value over remaining asset life) they will be fully depreciated and have no value. If definition retained then suggest “this disclosure year” should be replaced with “the reported disclosure year”
capital expenditure	The reason for this change is not clear. Capital expenditure transacted with a related party could relate to the acquisition or transfer of a common asset with an allocation then to regulated activities. Appears that the amendment to this clause does not allow for this situation. Suggest clause be retained as unamended.
forecast for period to date	forecast for period to date means the most recent disclosure of the accumulated forecast capital expenditure and forecast operational expenditure pertaining to the years from the beginning of the pricing period to the current disclosure year made in accordance with clause 2.5;
Forecast cost of capital, forecast depreciation, forecast operational expenditure, forecast other income, forecast revaluations, forecast tax, forecast value of assets employed	Each of these definitions refers to the value of the item that is used by the airport “ <i>in determining the forecast total revenue requirement for the purposes of consultation undertaken as part of a price setting event</i> ”. This requirement presumes that airports consult on the total values of these inputs to determine the forecast total revenue requirement with airlines during consultation as part of a price setting event. By definition a price setting event, excludes certain instances such as separate negotiation of leases. For leased premises, the rental levels are subject to separate negotiations directly with tenants outside of a price setting event, where it would be inappropriate for WIAL to disclose details of commercial leases to all airlines since these will typically include confidential information. WIAL submits that these definitions should be amended. Possible amended wording for each of

Clause	Proposed WIAL Amendment
	<p>the definitions is “...in determining the forecast total revenue requirement for the purposes of purposes-of-consultation-undertaken-as-part-of-a-price-setting-event”.</p>
<p>Forecast revenue for services applicable to price setting event (and change in Schedule 18)</p>	<p>WIAL is uncertain as to why the Commission has considered this change necessary. The information disclosure regime is required to oversee specified airport services and not the component of these that this is subject to consultation with airlines under the Airport Authorities Act.</p>
<p>Market value of asset disposals to a related parties</p>	<p>WIAL appreciates that the Commission has introduced this definition to support the term in Schedule 5 but queries why the definition is required and instead proposes that Schedule 5 be amended.</p> <p>The market value of disposals requirement is not consistent with the Commission’s analysis in its Reasons Paper paragraphs 3.45 to 3.52. This analysis requires that where disposals are due to transfers between regulated suppliers or transfers within WIAL between regulated and unregulated businesses the disposal values shall be the assets’ regulatory carrying values. Consequently for related party disposals which result from a transfer within the WIAL company, the market value of the disposal should not be required.</p> <p>Disposals to other related parties could be at a different value however gains or losses on these transactions are not permitted to be recognised (Reasons Paper paragraph 3.45) and therefore again there is little benefit to market values of these disposals being required.</p> <p>WIAL submits that the disclosure requirements for disposals to related parties in Schedule 5 should be amended to require disclosure of the regulatory carrying value of the disposals.</p>
<p>Operating cost</p>	<p>operating cost has the meaning set out in the IM determination but excluding save that it excludes costs incurred in providing excluded services as excluded services is defined in the IM Determination.</p>
<p>RAB (tax value)</p>	<p>No need to list paragraph (a) separately after “and where” since paragraph (b) now deleted.</p>
<p>Revenue smoothing adjustment</p>	<p>The term “forecast total revenue requirement” should be in bold as a defined term.</p>