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INFORMATION DISCLOSURE DISCUSSION DOCUMENT – CROSS SUBMISSION

Air New Zealand welcomes the opportunity to make a cross-submission on submissions received by the Commission on its 29 July 2009 Information Disclosure Discussion Document.

This cross-submission should be read in conjunction with Air New Zealand's 11 September 2009 submission ("initial submission"), as well as the 11 September 2009 submission from BARNZ and the 2 November 2009 cross-submission from BARNZ. Air New Zealand supports the BARNZ cross-submission and does not intend to repeat in detail the points made in that cross-submission. There are however a number of important issues discussed in the BARNZ cross-submission where Air New Zealand wishes to reiterate its concern at the approaches promoted by the NZ Airports Association ("NZ Airports") in its 11 September 2009 submission on behalf of Auckland, Wellington and Christchurch international airports.

As outlined in the BARNZ cross-submission, the four key issues raised by NZ Airports relate to the proposed approach in respect of the:

- degree of prescription in the disclosure requirements;
- range of information to be provided;
- desirability of segmental reporting; and
- role of Asset Management Plans (AMPs) in the airport disclosure regime.

Choice of Methodologies

NZ Airports has consistently taken the view that the disclosure regime developed for airports need not take a prescriptive approach, instead allowing a supplier to adopt the methodologies it considers most appropriate to its particular circumstance.

As highlighted in Air New Zealand's initial submission, the lack of specificity as to appropriate methodologies was a key reason for Parliament adopting this amended regime. Ignoring this intent will simply result in a continuation of the current ineffective disclosure process and a continuing

inability for interested persons to ascertain whether the objectives in section 52A of the Commerce Act are being met.

Information to be Provided

NZ Airports has submitted that Forecast and Consolidated statements should not be provided.

Information disclosure is intended to ensure that interested persons have sufficient information to assess whether the purpose of Part 4 is being met.

Air New Zealand considers that the inclusion of forecast statements is key to understanding whether an airport is planning adequately for future investment in line with demand and whether the pricing profiles adopted by an airport are delivering appropriate returns over the long-term to ensure that the interests of consumers are being met. This requires a view both of past pricing behaviour as well as forecast pricing outcomes.

Similarly, disclosure of consolidated information is key to understanding how the regulated entity is ensuring that efficiency gains are being shared with consumers, in line with the objectives of Part 4.

Air New Zealand notes that section 53C of the Commerce Act provides for the information disclosure requirements to include both these categories of information.

Segmental Reporting

The Commission's initial view as outlined in the Information Disclosure Discussion Document was that airports should continue to disclose information at the business activity level (aircraft and freight activities, airfield activities, and specified passenger terminal activities). Air New Zealand supported this view.

NZ Airports has expressed the view that this segmentation has "not to date been particularly useful for allowing the assessment of regulated performance." Air New Zealand disagrees with the view put forward by NZ Airports and considers that segmental reporting has been a very useful feature of the current regime. Rather than moving away from segmental reporting Air New Zealand considers that the disclosure regime should provide for enhanced segmental reporting in terms of identifying segment asset bases in greater detail and movements within and between those asset bases.

Asset Management Plans

NZ Airports opposes the Commission proposal that AMPs be prepared and disclosed by airports, claiming that there are already a variety of instruments able to satisfy the requirement for disclosure of this information.

Air New Zealand disagrees with the views expressed by NZ Airports, particularly in respect of the role of Master Plans and consultation under the Airport Authorities Act as measures to address these issues.

Airport Master Plans are extremely high level and long-term planning documents focussed on land-use issues. By necessity these do not specify in sufficient detail the range of issues integral to the efficient management of airport assets or the triggers for making investments. As a consequence

interested persons will not have sufficient visibility of airport plans to be adequately informed as to whether an airport is acting in a manner such that the objectives of Part 4 are being met.

Consultation under the Airport Authorities Act will be inadequate as a means of ensuring robust review of forecasts of capital expenditure by interested persons or to address “gaming” of forecasts by airports. The Airport Authorities Act regime provides for restrictions on who can participate in a consultation and indeed on the level of capital expenditure that must be consulted on. Furthermore the nature of the regime limits the ultimate effectiveness of any consultation with an airport entitled at the conclusion of a process to proceed as it thinks fit, regardless of the views of those parties it consulted. The Airport Authorities Act regime has also proven ineffective in ensuring that forecast capital expenditure included in prices set at the conclusion of a consultation is proceeded with, or that users are able to address such behaviour in subsequent consultations.

Air New Zealand agrees that the content of AMPs should be tailored to the circumstances of the industry and that these should draw on existing processes and disclosures. However the resulting total disclosure must remain “fit for purpose” in terms of ensuring that interested persons have sufficient information to assess whether the purpose of Part 4 is being met. In Air New Zealand’s view the approach promoted by NZ Airports will not achieve this.

Air New Zealand looks forward to continuing to work with the Commission as it further develops the information disclosure requirements for Auckland, Wellington and Christchurch airports. Please contact me if you have any queries relating to this cross-submission.

Yours sincerely



Sean Ford
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