

CROSS SUBMISSION BY BARNZ ON NZ AIRPORTS' SUBMISSION WITH RESPECT TO THE COMMISSION'S INFORMATION DISCLOSURE DISCUSSION DOCUMENT

2 November 2009

Broadly speaking, BARNZ supports the information disclosure requirements proposed by the Commission. As outlined in its Submission on the Information Disclosure Paper, BARNZ considers the proposed disclosures will ensure sufficient information is readily available to interested persons to assess whether the purpose of Part 4 is being met, as per section 53A.

The three specified airport companies, through their combined submission made by the NZ Airports Association (NZ Airports), do not appear to have such a large level of agreement with the information disclosure requirements proposed by the Commission.

BARNZ has used Table 24 from the Commission's Information Disclosure Paper to summarise and comment on the differences over the proposed information disclosure requirements between it and NZ Airports. This analysis may be found at the end of this Cross-Submission.

BARNZ perceives there to be four key differences between it and NZ Airports over information disclosure, namely:

- The degree to which input methodologies and information disclosure requirements should be prescribed or left to the choice of the regulated supplier
- The level of financial information required to be disclosed in order to meet the purpose of information disclosure regulation
- Whether segmented reporting is necessary for each of the three specified airport activities
- Whether AMPs should be required in the case of regulated airports.

These four issues are discussed below.

Quality monitoring is a fifth key issue on which significant analysis still needs to occur, albeit one on which there is not such significant differences due to the workshops previously undertaken between industry participants. BARNZ and NZ Airports have already provided the Commission with a Joint Working Paper dated 24 June 2009 on Quality Service Monitoring for Specified Airport Companies. BARNZ suggests that the issue of quality monitoring could usefully be the subject of a workshop organised by the Commission with industry participants.

1. Prescription of methodologies by the Commission or choice by the supplier?

NZ Airports (and all three airports in their previous submissions) has submitted that, where firms are only subject to information disclosure regulation and retain the power to set prices, prescriptive input methodologies and information disclosure requirements should not be set by the Commission. Instead, the supplier should be able to select and use the methodology it considers most appropriate for its circumstances, subject to disclosure of the methodology selected.

As previously submitted, BARNZ strongly disagrees with the airports on this issue. The airports' proposed approach of leaving the choice of methodology to the supplier would not result in certainty for consumers or allow interested persons to assess whether the objectives in s52A are

being met. It is completely contrary to both the legislative framework contained within Part 4 of the Commerce Act and to the intention of Cabinet and Parliament when including airports within Part 4 of the Commerce Act. The clear intention was to have detailed input methodologies and detailed information disclosure requirements developed by the Commission with respect to specified airport services.

This issue has been comprehensively submitted on in the past, and BARNZ refers the Commission back to its previous submissions:

- BARNZ Cross-Submission on Input Methodologies, 2 September 2009, pages 4 - 6
- BARNZ Submission on Information Disclosure Discussion Document, 11 September 2009, pages 1 – 3
- BARNZ Post Conference Cross-Submission, 15 October 2009, section 1.2, pages 2 - 6

2. *The level of financial information required to be disclosed*

The Commission has proposed that disclosures should include:

- Regulatory Profit Statement & Notes;
- Regulatory Asset Statement;
- Regulatory Tax Calculation;
- Forecast Statement; and
- Consolidation Statement.

BARNZ agreed that all of these proposed disclosures are appropriate.

While NZ Airports agreed that the Regulatory Profit Statement and Regulatory Asset Statement are appropriate, it considered that the Forecast Statement and the Consolidation Statement were not required. In addition, it submitted that if a taxation expense approach were adopted (as it favoured) then the Regulatory Tax Calculation was also not required.

The purpose of information disclosure as set out in section 53A is to ensure sufficient information is readily available to interested persons to assess whether the purpose of Part 4 is being met. The purpose of Part 4, as per section 52A, is to promote the long term benefit of consumers by promoting outcomes consistent with those in competitive markets such that suppliers of regulated goods or services:

- Have incentives to innovate and invest
- Have incentives to improve efficiency and provide services at a level that reflects consumer demands
- Share the benefits of efficiency gains with consumers
- Are limited in their ability to extract excessive profits.

BARNZ considers that Forecast Statements, Consolidation Statements and Regulatory Tax Calculations are all required in order for interested parties to be fully informed and able to make meaningful assessments as to whether the long term benefit of consumers is being promoted through the promotion of outcomes consistent with those in competitive markets. NZ Airports is

seeking to limit the level of information to levels below which interested persons will be able to properly make an informed assessment as to whether the purpose of Part 4 is being met.

Consolidation Statements are particularly relevant with regard to whether the benefits of efficiency gains are being shared with consumers. Clearly the drafters of Part 4 also considered the relationship between regulated and unregulated activities is an area where clarity is required, as consolidated information, including information about unregulated goods or services, is specifically listed within section 53C as information which the Commission can require disclosure of, with section 53D setting out further details and parameters about consolidated information.

As set out in BARNZ' response to question 38, without such information being made available so as to provide a full and complete picture of all activities of the supplier, it is not possible for interested persons to determine whether costs are being appropriately allocated, and to be satisfied that costs are not being over recovered. For its part, BARNZ has not found the information currently required to be disclosed under the Airport Information Disclosure Regulations to provide sufficient reassurance that there has not been any over recovery of costs. BARNZ therefore continues to consider Consolidation Statements should be required.

Regulatory Tax Calculations setting out the actual tax paid by the regulated supplier are an important source of information for interested persons to assess whether the benefits of efficiency gains are being shared with consumers and whether excessive profits are being extracted. Where the building block analysis is used to set charges, then forecast tax is one of the key inputs in the charge setting process. Disclosure of the Regulatory Tax Calculations, and the actual tax payable, are therefore essential for interested persons to be able to assess whether the purpose of Part 4 is being met.

Forecast Statements are of equal importance as short-term historical information when assessing whether outcomes promote the long term benefit of consumers and whether they are consistent with outcomes produced in competitive markets. The basis on which regulated airports set charges, and the levels of returns they aim to earn, are central to the outcomes listed in section 52A, particularly whether suppliers have incentives to invest, whether the benefits of efficiency gains are being shared with consumers, and whether the ability to extract excessive profits is limited. Information in relation to the forecast information on which charges were set is just as essential as knowledge of the actual outcome to interested persons when they are assessing whether the purpose of Part 4 is being met. Interested persons need to be able to assess whether the charges currently paid, and those forecast to be paid in the near future, are likely to contain excess returns, just as much as they need to be able to assess whether past outcomes contained excess returns. Disclosed information needs to include information relating to the past, the present and the future.

Limiting information disclosure to short-term historical information, and not requiring forecast information to be disclosed, would limit interested persons to only understanding whether outcomes and charges in the past were in the long term interests of consumers. It would prevent interested persons from being able to assess whether current (and future) charges and decisions of regulated suppliers are in the long term interest of consumers.

Excluding forecast statements from the financial information to be disclosed would be inconsistent with both the purpose, and the express provisions, of Part 4:

- The over-arching purpose of section 52A, namely the promotion of the long term interests of consumers, is itself forward looking – promoting an outcome in the future.

- The language of section 52A is forward looking, incorporating phrases such as ‘to promote the long term benefit of consumers’, ‘promoting outcomes’, ‘incentives to innovate and invest’ and ‘incentives to improve efficiency’.
- The purpose statement of information disclosure regulation is also grounded in the present – rather than the past. Section 53A refers to sufficient information being readily available to interested persons ‘to assess whether the purpose of Part 4 **is being met**’ – not to assess whether the purpose of Part 4 **was met**.
- Section 53C(2) (which lists the information which may be required to be disclosed) expressly includes ‘projected financial statements’ and ‘plans and forecasts about demand, investments, prices, revenues ...’.

If disclosed information is limited to actual outcomes from the previous financial year (which finished more than five months in the past) then interested persons will be unable to assess whether the charges they are currently paying, and whether the charges they will be asked to pay in the next financial year or two, are set at a level which would enable the regulated supplier to extract excessive returns. Similarly, they will be unable to assess whether or not such charges reflect the sharing of efficiency gains. BARNZ considers that such an outcome would be inconsistent with the structure of Part 4, which is intended to create a forward looking dynamic environment so as to ensure outcomes promote the long term benefit of consumers and mimic the outcomes of competitive markets. Information disclosure will not be able to achieve this if it is constrained, as per the NZ Airports submission, to only disclosing what has occurred in the immediate past.

Interested persons need to be able to assess past outcomes, the present and predicted future forecasts if they are to be able to reach a fully informed assessment as to whether outcomes are in accordance with the long term benefit of consumers and reflect the outcomes of competitive markets.

To do this interested persons need access to both information disclosing past outcomes as well as to forecast information indicating likely future outcomes.

3. *Whether Segmented Reporting is Necessary?*

The Commission has indicated that its preliminary view is that financial information should be disclosed separately for airfield, aircraft and freight and specified terminal activities.

In its response to question 163 BARNZ agreed that financial information should be disclosed separately for airfield, aircraft and freight and specified terminal activities due to the different users and cost drivers for each activity. However, BARNZ also considered that all information should be provided separately for each segment, not just financial and RAB information.

NZ Airports has submitted against the separate disclosure for airfield, aircraft and freight and specified terminal activities, expressing the view that segmented disclosure has not been particularly useful to date for allowing assessment of regulated performance and therefore disclosure should be based on the entire aeronautical asset base.

BARNZ disagrees with NZ Airports. Separation of the aeronautical asset base into the three separate activities has been fundamental to allowing an understanding of where excess returns are being earned, or where an increase in charges may be justified. Indeed, in BARNZ’ view, one of the greatest shortcomings of the current information disclosure requirements is the lack of specification of the asset base and revaluations within each segmented activity.

Not providing segmented disclosure will be a retrograde step from the current information disclosure requirements and will reduce transparency for interested persons. It would make it more difficult for interested persons to assess whether the purpose of Part 4 is being met.

It would hide any cross-subsidisation of airfield activities from terminal activities or vice versa. This is a key area of interest for BARNZ members that are predominantly or solely freight operators, and is also likely to be information of high interest to other operators which do not use terminal facilities such as General Aviation, Military aircraft and Diplomatic aircraft. Such aircraft can form a large proportion of the number of movements at an airport. For instance, in FY2008 there were 3435 non-scheduled movements of aircraft greater than 3 tonne (including military and freight departures) and approximately 28 000 General Aviation movements at Christchurch Airport. These movements represent more than 40% of departing aircraft at Christchurch Airport. In all likelihood, most of these users did not utilise terminal facilities. For disclosed information to enable such users to assess whether outcomes are in their long term interests there needs to be separate disclosure of information for airfield, terminal and aircraft and freight activities.

While BARNZ acknowledges little attention has been paid to ‘aircraft and freight activities’ during pricing consultations, this is a reflection of that fact that the majority of charges under ‘aircraft and freight activities’ relate to licence fees on third party operators or hangar leases which, for the most part, contain rent review provisions, including arbitration using valuers. Therefore consultation processes on common use charges have not addressed these areas. Nevertheless, disclosure of ‘aircraft and freight’ costs and revenues is still considered important as it provides the necessary transparency to monitor airport performance in this area, and BARNZ does not support disclosure of ‘aircraft and freight activities’ ceasing.

4. *Whether AMPs should be required for Regulated Airports?*

The Commission has proposed that regulated airport suppliers should prepare and disclose AMPs. As noted in response to question 9, BARNZ agrees that AMPs are a useful and appropriate means of demonstrating innovation and investment, and that they should be prepared by regulated suppliers and made available to the Commission and interested persons.

NZ Airports opposes the proposal that AMPs be prepared and disclosed by airports, on the grounds that:

1. There is no history of any issue of under-investment or lack of maintenance at New Zealand airports, hence there is no problem requiring a solution.
2. Asset management and maintenance requirements of airports are addressed by the CAA regime which includes monitoring and certification.
3. Airports have developed an industry specific tool of Master Plans which fulfil the long term asset planning role for airports.
4. Consultation under the AAA meets the role of reviewing forecasts of capital expenditure and will address any potential for ‘gaming’ of forecasts.

BARNZ acknowledges that the content of AMPs should be tailored to the circumstances of the industry. If, for instance, aspects of the AMP requirements are already met through another process, then reference to the other process and a brief synopsis of the relevant outcomes should be considered sufficient for the purposes of the AMP. BARNZ is not an advocate for ‘reinventing the wheel’ at considerable cost purely for the sake of duplication. However, there are significant and important aspects of properly prepared AMPs which are missing from the material currently

available to interested persons in relation to regulated airports, and therefore BARNZ continues to consider that AMPs should be prepared by the three regulated airports.

Turning to the reasons provided by NZ Airports for AMPs being unnecessary and inappropriate in the case of airports, BARNZ notes:

There is no problem requiring a solution

AMPs represent best practice with respect to asset management. BARNZ considers the position adopted by the three airports is extremely short-sighted and presumes that the airports already adopt best practice with respect to asset management with no scope for improvement. BARNZ does not accept that this is the case.

CAA oversight already addresses asset management and maintenance requirements of airports

As noted above, BARNZ does not desire duplication of processes. However, the existence of processes which meet some of the AMP requirements should not be considered to absolve an asset owner from the need to prepare an AMP – rather it just means that the task should be that much easier, with the asset owner being one step closer to having a completed AMP.

Hence, where CAA processes meet AMP requirements, BARNZ acknowledges that it would not be unreasonable for cross referencing within the airport's AMP of the CAA processes and outcomes to be considered sufficient to satisfy that particular portion of the AMP.

BARNZ similarly notes that some of the material in the Asset Valuation Reports prepared by airports will likely meet some AMP requirements with respect to identification of assets, their standards, valuation and (in the case of some valuation reports) depreciation information.

Master Plans fulfil the long term asset planning role for airports

Airport Master Plans are long term strategic documents providing a high level over-view of land use looking out over 25 years. BARNZ emphatically rejects the suggestion by NZ Airports that Airport Master Plans in any way fulfil the role of AMPs or provide interested persons with sufficient information to assess whether the purpose of Part 4 is being met. In BARNZ' experience:

- Master Plans are prepared at an extremely high level, and focus on land use.
- Master Plans do not consider the use of space within terminals, the design of terminals or significant items of plant and equipment such as the baggage handling system.
- Master Plans contain no quantifiable information regarding the likely costs of forecast investments.
- Master Plans contain only vague indications, with no clear information, on likely timing or phasing of forecast investments and the triggers for such investment.

It is particularly telling that BARNZ only very rarely refers to AIAL's Master Plan when considering capital expenditure issues relating to the airport. The information provided confidentially during consultation is referred to much more frequently.

WIAL's Master Plan, which is currently draft, is a glossy, very professional looking document, which is 58 pages long, yet does not contain any estimates of the costs of forecast investment other than an overall total on page 6 of \$115m for Apron, Airside and Runway investment and \$195m for terminal investment.

BARNZ reviewed several AMPs in the course of preparing its Submission on Information Disclosure. In BARNZ' assessment the information contained in the Airport Master Plans is

substantially less than that in well prepared AMPs. By way of example, BARNZ considers that the level of information contained in section 5.6, entitled Network Development Proposals, of the Ten Year AMP for Orion, would be extremely useful to any interested person. BARNZ does not consider the information contained in Airport Master Plans with respect to capital expenditure forecasts to be at all adequate for the purposes of information disclosure under Part 4.

Consultation under the AAA meets the role of reviewing capital expenditure forecasts

BARNZ does not agree that consultation under the AAA meets the role of reviewing forecasts of capital expenditure or addresses potential ‘gaming’ of forecasts by airports:

- Airports often impose significant confidentiality obligations on information provided to airlines during consultation. This restriction precludes fulsome debate from occurring in the public arena with respect to capital expenditure forecasts.
- Consultation under the AAA only extends to substantial customers of airports – namely those which paid more than 5% of the identified airport activity revenue of the airport during the most recent financial year. The ambit of interested persons is considerably wider than substantial customers, and includes, for example, airlines which do not meet the 5% threshold, general aviation operators, Government Border and Security Agencies, passengers, shippers of freight, freight forwarders, tourism operators and travel agents – all of whom do not receive information during consultation under the AAA.
- Consultation specifically in relation to capital expenditure is only required when projects exceed 20% of the value of identified airport assets – a threshold so high as a result of regular asset revaluations that it has only been triggered once during the past ten years.
- Airports retain the ability to make any final decision in spite of airline views to the contrary. For instance, after consultation during 2007, AIAL commenced construction of the Northern Runway despite airline protests that there was no aeronautical justification for proceeding with the development at that time, and despite the fact that the airport’s Master Plan indicated that the trigger for the development would be constraints on the main runway, which is not yet the case. AIAL has recently announced it is temporarily halting construction of the Northern Runway.
- Consultation has proven inadequate to prevent ‘gaming’ of forecasts – the most obvious example being that of CIAL’s domestic terminal, included in the asset base on which charges were set in 2000, and within the building block assessment of required revenue, yet only now being constructed, and unlikely to be operational until 2011.

Comment on Alternative Information Proposed by NZ Airports

NZ Airports proposes disclosure of the following information in place of AMPs:

- Airport Master Plans
- Annual update comment on Master Plan providing comment on any change in circumstances since the last Master Plan was completed
- Annual investment comment by airports describing their capital expenditure during the previous year which will also specifically address innovations arising from that expenditure
- Further comment on annual innovations from areas other than new capital expenditure
- The quality outcomes on asset reliability for airlines and facility satisfaction measures for passengers.

BARNZ does not consider that this alternative information is sufficient to enable interested persons to assess whether outcomes are consistent with those of competitive markets, whether suppliers are investing in appropriate replacement, upgraded and new assets, and whether capital expenditure forecasts were appropriate or whether suppliers have been or are manipulating forecasts so as to attempt to extract excessive returns.

As noted above, in BARNZ' experience, Master Plans are too high level and vague to replace a comprehensive AMP. Given how vague Master Plans are with respect to investment timing and triggers, and the complete lack of information on forecast costs, BARNZ considers any update to the Master Plan would likewise be of minimal or no use to interested persons.

BARNZ agrees that an annual investment comment could be useful (depending of course on the level of information provided). However, BARNZ understands that the Commission is already proposing this information be provided in the Regulatory Valuation Roll-Forward Report and the Annual Valuation Roll-Forward by Asset Class Report as part of the proposed disclosures relating to the RAB.

BARNZ also agrees that an annual comment should be provided on innovation as part of the information disclosure. Likewise, BARNZ agrees that quality outcomes on asset reliability should be disclosed. However, the Commission is also already proposing that this information be disclosed within annual information disclosure requirements. Again, it does not represent an adequate substitute for a well prepared AMP.

Given that airports already prepare detailed asset valuations and are subject to CAA oversight with respect to maintenance and safety of the airfield and security requirements in the terminal, BARNZ is somewhat perplexed by the claims that AMPs will be too costly for airports to prepare. As noted above, for its part, BARNZ considers that any already existing processes or reports should be able to be incorporated within the AMP, without the need for duplication. The incremental cost should therefore be unlikely to be as large as the airports are suggesting. BARNZ also notes that the Commission would have the flexibility to provide that AMPs only have to be prepared bi-annually so as to further reduce any cost impost.

BARNZ therefore continues to consider that regulated airports, like other regulated suppliers, should be required to prepare and disclose AMPs.

Nevertheless, if the Commission decides that airports should not be required to produce AMPs, BARNZ would be willing to consider any comprehensive alternative to AMPs and to work with the Commission and the airports to develop an appropriate alternative set of information requirements.

However, BARNZ is very clear that the alternative disclosures proposed by NZ Airports do not represent an adequate alternative which would address the objectives of AMPs or meet the requirements of Part 4. In BARNZ' view, it is vital that any alternative asset management documentation contain information regarding forecast capital expenditure plans, likely costs and triggers for investment and the likely phasing of such investment as well as disclosure of what actual investment occurred. This key information is missing from the alternative suggested by NZ Airports, which, in BARNZ' view, falls far short of providing the information needed to enable interested persons to assess whether the purpose of Part 4 is being met.

Table 24: Proposed Scope of Disclosures Summary

Proposed Disclosures	Summary of BARNZ Position on Commerce Commission’s Proposed Disclosures and NZ Airports’ Submission
Performance Indicators	<p><i>BARNZ agrees</i> with the Commission’s proposals to:</p> <ul style="list-style-type: none"> • Use capital expenditure ratios to measure investment • Measure efficiency with ratios • Disclose average price per unit • Measure prices and profits with a ROI ratio <p><i>BARNZ disagrees</i> with the Commission’s proposals that:</p> <ul style="list-style-type: none"> • There should be a review rating for innovation • The most appropriate key measure of efficiency is to use asset base as the denominator – BARNZ suggests using the relevant output unit for each identified airport activity <p><i>BARNZ considers</i> that where a measure of output is used as the denominator for ratios then it needs to be the relevant unit of output for the particular identified airport activity – passengers for terminal activities, landed tonnes for airfield activities and freight volume for aircraft and freight activities.</p> <p><i>BARNZ agrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • Innovation is not easily able to be measured as a single ratio in the airport context and an annual commentary on innovation is more appropriate • Asset base is not the most appropriate denominator for efficiency measures. • Capacity utilisation and customer perception quality should be measured based on a number of measures as per the NZ Airports/BARNZ Joint Working Document on Quality Service Monitoring • Regulatory profit should also be disclosed as a ratio to the relevant output unit as well as in a ratio to the asset base <p><i>BARNZ disagrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • An AMP should not be prepared • Capital expenditure ratios should not be included • Passengers should be used as the relevant output unit in all ratios based on output
Financial Information	<p><i>BARNZ agrees</i> with the Commission’s proposed disclosures, with additional points made by BARNZ being:</p> <ul style="list-style-type: none"> • Safety and security costs should be an additional category of operating expenses • Guidance on how transferring assets to or from unregulated activities or within regulated activities is required • Stock Exchange merger and takeover costs should be excluded <p><i>BARNZ disagrees</i> with the Commission’s proposal that:</p> <ul style="list-style-type: none"> • Financing information not be disclosed • Leveraging and finance cost assumptions be used rather than actual cost of debt

	<p><i>BARNZ agrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • Deferred tax should be excluded from the Financial Statements • A Statement of Cash Flows and a Statement of Equity are not necessary • Additional categories of operating costs should include cost of complying with regulatory regimes and property management • Where corporate costs can be directly allocated they should not be treated as overheads <p><i>BARNZ disagrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • There should not be disclosure of Forecast Statements or Consolidation Statements • A Regulatory Tax Calculation is not required as a tax payable approach should be adopted • Prescriptive requirements should not be specified • The treatment of revaluations should be determined by the arrangements implemented from consultation • Approaches should not be prescribed for capital contributions and vested assets • Reconciliation between statutory reporting and regulatory reporting is not necessary <p><i>BARNZ has reservations</i> with regard to NZ Airports' position that changes in shared asset allocation should be treated like lost and found assets with no recognition in the Regulatory Profit Statement, and not as related party transactions with GAAP compliant disclosure.</p>
Regulatory Asset Base	<p><i>BARNZ agrees</i> with the Commission's proposed disclosures, with additional points made by BARNZ being:</p> <ul style="list-style-type: none"> • BARNZ supports using an imputed rental value to allocate shared assets. • There needs to be transparent disclosure of (and guidance in relation to) asset transfers to or from unregulated activities and within regulated activities • Capital expenditure reviews should have to be undertaken by all firms within the Regulatory Valuation Roll-Forward Report <p><i>BARNZ disagrees</i> with the Commission's proposed approaches of:</p> <ul style="list-style-type: none"> • Using actual financing costs during construction rather than a multiplier • Not including asset relocation as a category of capital expenditure <p><i>BARNZ agrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • The Regulatory Investment Value should be determined based on the average asset base • Depreciation should be calculated based on the actual time the asset comes into use <p><i>BARNZ disagrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • Prescriptive input methodologies should not be specified. • Current allocation processes should continue to be used to allocate shared assets rather than an imputed rental value • Actual capitalised finance costs during construction should be used in the asset valuation. • The Commission should not determine depreciation rates

	<p><i>BARNZ questions</i> the statement by NZ Airports at page 69 that airports use actual capitalised finance costs of construction when valuing assets – it is BARNZ’ understanding that airport valuers apply a multiplier approach to the full construction cost of the asset, and do not reflect actual finance costs within the asset valuation or make any distinction between the portion of the asset funded by debt and the portion funded by equity. Refer for example to WIAL 2009 Valuation of Civil Works Assets at page 9 where an opportunity cost of 7% pa is identified and applied as a multiplier to the development costs.</p> <p><i>BARNZ does not object</i> to the capital expenditure categories proposed by NZ Airports but suggests there should be a requirement for airports to identify any substantial changes in regulatory requirements which led to expenditure in the mandatory/compliance category, and also that asset relocations need to be identified or shown separately.</p>
Statistics	<p><i>BARNZ agrees</i> with the Commission’s proposed statistics.</p> <p><i>BARNZ considers</i> the following additional statistics should be disclosed:</p> <ul style="list-style-type: none"> • Total human resource costs • Number of FTEs • Through-put volume of any measure not included in the Commission’s standard statistics on which that airport levies a charge (i.e. seats, bags, fuel etc) • Number of aircraft landings • Total landed MCTOW <p><i>BARNZ agrees</i> with NZ Airports that asset and capacity statistics should be developed as per NZ Airports/BARNZ Quality Monitoring Proposals.</p>
Quality	<p><i>BARNZ and NZ Airports agree</i> that the NZ Airports/BARNZ Joint Working Paper on Quality Service Monitoring should form the basis of the development of quality measures.</p> <p><i>BARNZ agrees</i> with NZ Airports that requisite quality measures should not be developed.</p> <p><i>BARNZ considers</i> that audits of quality disclosures should be undertaken by a quality assurance expert rather than a financial auditor.</p>
Asset Management Plans	<p><i>BARNZ agrees</i> with the Commission’s proposed AMP disclosures.</p> <p><i>BARNZ disagrees</i> with NZ Airports proposal that:</p> <ul style="list-style-type: none"> • AMPs should not be required • Forecasts of capital expenditure are unnecessary as they are reviewed during consultation under the AAA • Consultation under the AAA is able to address any potential for ‘gaming’ of forecasts • Airport Master Plans (with annual update commentary), annual investment comments by airports, innovation comments by airports, the quality outcomes on asset reliability and the passenger satisfaction survey results will meet the purpose of AMPs

Pricing	<p><i>BARNZ agrees</i> with the Commission’s proposed pricing disclosures, noting:</p> <ul style="list-style-type: none"> • The importance of ensuring disclosures of methodologies are sufficiently detailed • Disclosed prices should include rebates, credits, allowances, discounts etc • All revenue earned from specified airport services should be disclosed, including revenue from leases, licences, through-put levies etc • Airports should also be required to disclose the regulated revenue earned for a common range of aircraft types <p><i>BARNZ disagrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • Disclosure of forecast cost and revenue information is inappropriate • Disclosure of pricing methodologies should be limited to information on the methodologies and not actual pricing methodologies • Pricing methodologies are not easily able to be summarised. BARNZ has been able to produce one page working replicas of the pricing models used by airports during consultation, and the airports generally include summaries of the pricing models and building block inputs within their written pricing proposals and charge setting decisions. • Disclosure of charges should be limited to pricing schedules and should not include the outcomes of commercial contracts with airlines
Other	<p><i>BARNZ agrees</i> these disclosures are appropriate, noting that policies with respect to competitive tendering should also be disclosed.</p>
Segmentation of Business Activity	<p><i>BARNZ agrees</i> with the Commission that information should be disclosed separately for airfield, aircraft and freight and specified terminal activities.</p> <p><i>BARNZ considers</i> all disclosed information should be provided separately for the three identified airport activities, not just financial information.</p> <p><i>BARNZ disagrees</i> with NZ Airports that:</p> <ul style="list-style-type: none"> • Segmented disclosure has not been particularly useful to date for allowing assessment of regulated performance • Disclosure should be based on the entire aeronautical asset base and not on separate airfield, terminal and aircraft and freight activities
Publication, Retention, Certification	<p><i>BARNZ agrees</i> with the Commission’s certification requirements, with additional points made by BARNZ being that:</p> <ul style="list-style-type: none"> • Certification by Management as well as Director(s) would provide additional accountability • Email notification to registered interested parties would be beneficial • Independent assurance of AMP, pricing methodology, prices and contracts disclosures would be beneficial <p><i>BARNZ disagrees</i> with the Commission that certification of prices and contracts disclosures are not required.</p> <p><i>BARNZ does not object</i> to NZ Airports’ suggestions that:</p> <ul style="list-style-type: none"> • Prospective information not be audited. However, BARNZ does consider prospective information should be certified by Directors and Management. • Disclosure be divided into two tranches, namely quality information and financial information