



ISBN 978-1-869455-94-1

Project no. 16275

Public version

Proposed amendments to information disclosure determination for airport services price setting event items

Draft companion paper

Date of publication: 7 September 2017

Associated documents

Publication date	Reference	Title
7 September 2017	ISBN 978-1-869455-93-4	[DRAFT] Airport Services Information Disclosure Amendments Determination (No.2) 2017
30 June 2017	ISBN 978-1-869455-79-8	[DRAFT] Airport Services Information Disclosure Amendments Determination (No.1) 2017
30 June 2017	ISBN 978-1-869455-75-0	Proposed amendments to information disclosure determinations for airport, electricity distribution, and gas pipeline services: Draft companion paper
20 December 2016	ISBN 978-1-869455-49-1	Input methodologies review decisions – Topic 5: Airport profitability assessment
27 February 2012	ISBN 978-1-869451-93-6	Airport Information Disclosure Determination Amendment: Reasons Paper
22 December 2010	ISBN 978-1-869451-35-6	Information Disclosure (Airport Services): Reasons Paper

Regulation Branch, Commerce Commission
Wellington, NEW ZEALAND

Contents

1. INTRODUCTION	2
2. AIRPORT SERVICES PRICE SETTING EVENT INFORMATION	5
3. HOW YOU CAN PROVIDE YOUR VIEWS	7

1. Introduction

Purpose of this paper

- 1.1 This paper proposes amendments to the information disclosure (ID) requirements applying to suppliers of airport services.
- 1.2 We invite your views on the proposed amendments. Submissions are due by 5pm, 22 September 2017. Chapter 3 provides details on how you can provide your views on this paper and the draft amendments determination.
- 1.3 By providing your views on this paper and the attached draft amendments determination, you will help inform our final decision on the amendments to the airport services ID determination that will apply following our final decision.

Information disclosure amendments across sectors we regulate

- 1.4 These proposed ID changes are focused on providing technical updates to the airport services ID determination relating to items identified as part of airports' price setting event disclosures. This is not a full review of the information disclosure requirements.¹
- 1.5 We have proposed amendments relating to items identified as part of airports' price setting event disclosures now:
 - 1.5.1 because these updates are essential for future summary and analysis of airports' ex ante profitability performance for their next price setting events;
 - 1.5.2 because completing these updates may also add value to our future assessment of airports' historical return on investment (ROI) performances; and
 - 1.5.3 to increase consistency between our ex ante and ex post requirements.²
- 1.6 Future ID amendments will be prioritised and phased to address other matters relating to airport services, EDBs, GDBs, GTBs and Transpower which we have deferred at this time.³

¹ Attachment A of Commerce Commission "Proposed amendments to information disclosure determinations for airport services, electricity distribution services, and gas pipeline services: Draft companion paper" (30 June 2017) provides an overview of matters deferred to future rounds of amendments.

² As part of our 2016 IM review, we included in our ex ante carry forward mechanism a requirement to disclose risk sharing arrangements, where these have been proposed in the airport's price setting event. See Commerce Commission "Input methodologies review decisions – Topic paper 5: Airports profitability assessment" (20 December 2016), p.8.

Background to the current airport services ID requirements

- 1.7 The ID requirements for airport services were initially determined in 2010.⁴ Amendments to the information disclosure requirements for airport services were completed in 2012⁵ and further updated alongside the Input Methodologies review (IM review) in 2016.⁶
- 1.8 We have also proposed technical updates to the airport services, EDB, GDB and GTB ID determinations on a standard track basis, with a focus on providing consequential amendments arising out of the 2016 IM review.⁷ We did not propose the price setting event information changes, outlined in this paper, as part of our standard track draft decision to allow Auckland International Airport Limited (AIAL) and Christchurch International Airport Limited (CIAL) a sufficient opportunity to engage on our proposed changes following their 2017 price setting event.⁸
- 1.9 We are intending to publish the final decision for this round of amendments as part of our final standard track decision by the end of December 2017.

Draft amendments determination released alongside this paper

- 1.10 Our proposed amendments to the airports services ID determination in this round of changes are identified as Microsoft Word track changes, except for amendments to the disclosure templates.
- 1.11 Proposed changes to the airport services Schedule 6 are marked in red text with cells filled in blue.

³ See Commerce Commission “Proposed amendments to information disclosure determinations for airport services, electricity distribution services, and gas pipeline services: Draft companion paper (30 June 2017), Attachment A.

⁴ Commerce Commission “Commerce Act (Specified Airport Services Information Disclosure) Determination 2010” (22 December 2010).

⁵ Commerce Commission “Airport Information Disclosure Determination Omnibus Amendment No. 1” (27 February 2012).

⁶ Commerce Commission “Airport Services Information Disclosure Amendments Determination 2016” (20 December 2016).

⁷ Commerce Commission “Proposed amendments to information disclosure determinations for airport services, electricity distribution services, and gas pipeline services 2017: Draft companion paper” (30 June 2017), [DRAFT] Airport Services Information Disclosure Amendments Determination (No.1) 2017 (30 June 2017), (DRAFT) Electricity Distribution Information Disclosure Amendments Determination 2017 (30 June 2017), (DRAFT) Gas Distribution Information Disclosure Amendments Determination (No.2) 2017 (30 June 2017) and (DRAFT) Gas Transmission Information Disclosure Amendments Determination (No.2) 2017 (30 June 2017).

⁸ AIAL “Price Setting Disclosure” (1 August 2017) and CIAL “Disclosure relating to the reset of aeronautical prices for the period 1 July 2017 to 30 June 2022” (14 August 2017).

1.12 Chapter 3 provides full details on how you can provide your views on both this paper and the draft amendments determination.

2. Airport services price setting event information

Purpose of this chapter

- 2.1 This chapter describes our proposed changes, and the reasons for the proposed changes, to the airport services ID determination in relation to price setting event information. These changes are summarised in Table 2.1.

Table 2.1: Amendments to the price setting information for airport services

Area of change	Amendments to the ID determination	Affected clauses and schedules
Airport services proposed risk allocation adjustment	Propose including the differences between actual and forecast proposed risk allocation adjustments, included in airports' price setting events in the Report on Actual to Forecast Performance	Airport services clause 1.4(3) definitions: "estimated present value of the proposed risk allocation adjustment" Airport services clauses 2.3(1)(a), 2.3(2) Airport services Schedule 6c

Price setting event information for airport services changes

Current airport services requirements

- 2.2 The current ex post airport services ID requirements are inconsistent with the current airports ex ante requirements. As part of the 2016 IM review, we introduced proposed risk allocation adjustments into the carry forward mechanism for our ex ante disclosures, following airports' price setting events.⁹ Currently, risk allocation adjustments are not required in our ex post disclosures.¹⁰

⁹ Commerce Commission "Airport Services Information Disclosure Determination 2010 – (consolidating all amendments as of 20 December 2016)" (20 December 2016), Schedules 18-19.

¹⁰ Commerce Commission "Input methodologies review decisions – Topic paper 5: Airports profitability assessment" (20 December 2016), p.8.

What is a risk allocation adjustment?

- 2.3 Given that airports set prices in advance, airports and airlines use the term **risk** as a way to describe that actual out-turns can be different to forecasts. A **risk allocation adjustment** is a decision that was made in a previous pricing period by an airport on how those risks should be allocated between the airport and airlines. This is important in the context of an ex-ante profitability assessment, as the allocation of those risks can affect charges of the current price setting event.¹¹

Proposed airport services price setting event information

- 2.4 We propose requiring airports to disclose the differences between forecast and actuals for any proposed risk allocation adjustments, included in their price setting event, which would result in adjustments to prices at a future price setting event.¹²
- 2.5 We propose requiring the difference between forecast and actuals for any proposed risk allocation adjustments as these updates:
- 2.5.1 increase consistency between our ex ante and ex post ID disclosures;
 - 2.5.2 are essential for future summary and analysis of airports' ex-ante profitability performance for the next price setting event; and
 - 2.5.3 may also add value to our future assessment of airports' historical ROI performances.

Proposed effective date for amendment

- 2.6 We propose that our amendments apply from the start of airports' disclosure year 2019 to allow airports sufficient time to complete the new schedule.

¹¹ Commerce Commission "Input methodologies review decisions – Topic paper 5: Airports profitability assessment" (20 December 2016), p.77.

¹² Commerce Commission "[DRAFT] Airport Services Information Disclosure Amendments Determination (No.2) 2017 (7 September 2017), Schedule 6c.

3. How you can provide your views

Purpose of this chapter

- 3.1 This chapter sets out how you can provide your views on this round of proposed amendments to the ID determination.

Timeframe for submissions

- 3.2 We welcome your views on the amendments proposed in this paper. Submissions are due by 5pm, 22 September 2017.
- 3.3 We do not intend to take into account any material that is submitted outside of the timeframes provided. Any party that is concerned about the time to engage with the material should contact us with a request for an extension outlining their specific concerns.

Address for submissions

- 3.4 Submissions should be addressed to:

Rhianne Ogilvie (Senior Analyst, Regulation Branch)
c/o regulation.branch@comcom.govt.nz

Format for submissions

- 3.5 We prefer submissions in both MS Word and PDF file formats.
- 3.6 Please include "Submission on proposed changes to ID determination for airport services, [DD Month] 2017" in the subject line of your email.
- 3.7 Where submitters propose an alternative to the draft decision, we encourage submitters to outline their reasoning and proposed change. We prefer proposed changes be identified as track changes to extracts of the principal determination or draft amendments determination.

Requests for confidentiality

- 3.8 We encourage full disclosure of submissions so that all information can be tested in an open and transparent manner, but we offer the following guidance:
- 3.8.1 If it is necessary to include confidential material in a submission, both confidential and public versions of the submission should be provided.
 - 3.8.2 The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
- 3.9 We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public version'.

Next steps in our process

- 3.10 We intend to make final decisions on the proposed amendments by the end of December 2017 in time for the changes in the ID determination to apply for the start of the next airports services disclosure year – 1 April 2018 for Wellington International Airport Limited and 1 July for AIAL and CIAL.¹³
- 3.11 At this stage, we do not intend to hold a technical consultation prior to our final decisions. We will review this position after considering submissions and notify parties if there is any change to this.

¹³ Commerce Commission "Airport Services Information Disclosure Determination 2010 – (consolidating all amendments as of 20 December 2016)" (20 December 2016), definition of 'disclosure year' in clause 1.4(3).