AIR NEW ZEALAND

23 July 2026

Commerce Commission

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By email: infrastructure.regulation@comcom.govt.nz

Tēnā koe,

Re: Changes to Airport Information Disclosure 2026: Air New Zealand submission

Executive Summary

Major terminal, runway and precinct investment decisions made today shape the charges paid by airlines and passengers for decades. For that reason, Air New Zealand strongly supports the Commission's draft decision to introduce additional information disclosure (ID) requirements for major airport investments.

The draft decision responds to a clear weakness in the current ID regime. Major airport investment decisions can be developed, consulted on over many years, but still become effectively locked in before airlines, the Commission and other interested persons have sufficient visibility of the full programme, including its need, scope, timing, cost and its long-term pricing and demand impacts.

Air New Zealand has consistently made clear, both in this process and in its broader policy engagement, that it supports efficient, demand-led airport investment. Our concern is not airport investment itself. Our concern is major investment that is over-scoped, poorly timed, inefficiently allocated or not properly tested before its costs are included in the regulated asset base (RAB) and recovered through aeronautical charges.

Air New Zealand supports the Commission's proposed requirements for cost-benefit analysis, options assessment, Level of Service assumptions, forward-looking cost and asset allocation information, and disclosure of independent assurance or peer review reports held by airports. These requirements should improve the quality of information available to interested persons and better support assessment of whether the Part 4 purpose is being met. Air New Zealand's proposed changes are targeted and intended to ensure the final requirements are effective in practice, difficult to avoid, and capable of supporting meaningful assessment before major investment costs are locked into charges paid by airlines and passengers.

A summary of Air New Zealand's recommendations is set out below.

Draft decision ref	Commission proposal	Air New Zealand's position
Draft decision 1: Major capex threshold	Require additional disclosure for a proposed major capex project or programme estimated to exceed 20% of the airport's total closing RAB from the preceding year's annual disclosure.	Support a RAB-based threshold as a starting point but recommend adding a fixed dollar backstop or review mechanism so the threshold does not become less effective as airport RABs grow.

Draft decision ref	Commission proposal	Air New Zealand's position
Draft decision 1: Programme definition	Treat a group of projects that together contribute to one output, or overlapping outputs, as a programme.	Support the programme concept, but recommend clarifying that it captures functionally connected projects, including master plan sequencing, enabling works, staged projects, interdependent projects and common infrastructure.
Draft decision 1: Renewals exclusion	Exclude renewals from the definition of major capex.	Support excluding genuinely like-for-like renewals but recommend clarifying that enhancement or growth components must count toward the threshold where a project materially changes capacity, Level of Service, resilience, asset life, allocation or pricing impact.
Draft decision 1: Timing of disclosure	Require disclosure within 10 working days after an airport decides to consult substantial customers on a proposed major capex project or programme.	Support the proposed timing but recommend clarifying that disclosure must occur before the proposed major capex project or programme is effectively settled.
Draft decision 1: Further disclosure on re-consultation	Require further disclosure where an airport decides to reconsult following a significant or material change to a proposed major capex project or programme.	Support but recommend requiring updated disclosure where material assumptions change, whether or not the airport characterises the change as requiring re-consultation.
Draft decision 2: Description of major capex	Require a description of the proposed major capex, including planned physical works and, for programmes, the projects included.	Support. The description should be sufficient to allow interested persons to understand the substance of the project or programme and how related works fit together.
Draft decision 2: Cost-benefit analysis	Require quantitative and qualitative CBA, including the reasons why the preferred option was chosen over alternatives.	Strongly support. Recommend where major capex is expected to be recovered through aeronautical charges, airports disclose expected pricing and demand impacts over the full cost-recovery period, including beyond the current PSE, using forecasts, ranges or scenarios where appropriate.
Draft decision 2: Level of Service	Require disclosure of Level of Service assumptions and parameters where used, including reasons and method of measurement.	Support, including the use of internationally recognised standards such as IATA Level of Service. Recommend requiring airports to explain why the chosen point within a recognised range is appropriate, including the trade-off between service quality and affordability.

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Draft decision ref	Commission proposal	Air New Zealand's position
Draft decision 2: Cost and asset allocation	Require forward-looking cost and asset allocation information for major capex.	Strongly support. Recommend confirming that this includes allocation between regulated and unregulated activities, priced and non-priced activities, and relevant customer groups, including where common infrastructure supports both commercial and aeronautical activity. Separately, recommend requiring Schedules 9 and 10 to disclose the value of costs or assets allocated using each allocator.
Draft decision 2: Assurance and peer review	Require disclosure of any independent assurance or peer review report held by the airport on major capex.	Support but recommend strengthening the requirement so assurance is genuinely independent, appropriately scoped and useful. Ideally, independent assurance should be required for major capex above the threshold. At minimum, airports should disclose the reviewer's relationship with the airport, scope, instructions, assumptions tested, limitations and response to findings.
Implementation	Apply the new requirements from the date of publication of the final determination.	Support but recommend applying the final requirements to upcoming major capex processes as far as possible, including Auckland Airport's next price-setting event.
Draft decision 3: Tax information	Add forecast tax value information to the pricing templates to support profitability analysis.	Support. Recommend also requiring forecast capex and depreciation by asset category for both the total asset base and priced asset base, to enable interested persons to more reliably replicate the Commission's profitability analysis.
Draft decision 4: Debt leverage assumption	Require airports to manually disclose the debt leverage assumption value specified in the airport input methodologies, rather than relying on a hard-coded value.	Support. This is a sensible amendment and should be retained.
Additional recommendation: Updated major capex forecasts	Requires updated disclosure following re-consultation after a material change, but not ongoing forecast updates during the PSE.	Recommend amending Schedule 6b to require disclosure of actual capex, updated cost-to-complete forecasts and material variances during the PSE.

1. <u>Why the Commission is right to focus on major airport investment</u>

Air New Zealand supports the Commission's conclusion that the current ID regime can be improved during periods of major capital investment. Major airport capital programmes have system-wide consequences: they affect airport charges, airfares, demand, airline route economics, regional connectivity, and New Zealand's tourism competitiveness.

The Commission has correctly identified that the current regime has a timing problem. Price-setting and annual disclosure requirements do not always align with when major investment decisions are made. In practice, by the time the Commission and interested persons can review the information, key decisions may already have been made, funds committed, and the investment case effectively fixed.

That timing problem reduces the effectiveness of ID and weakens the credibility of the broader light-handed regime. Air New Zealand therefore strongly supports the Commission's decision to require additional disclosure for proposed major capex projects and programmes. These are long-lived assets, and once major capex is locked into the RAB it is difficult to unwind; that is why timely disclosure, before the proposed investment is effectively locked in, is so important.

2. <u>Anticipated airport arguments</u>

Air New Zealand expects airports to raise several objections to the draft decision. We set out below why we think these should not change the Commission's direction.

a) Disclosure vs approval

Airports will likely frame the draft decision as a shift toward ex ante control, approval, or price-quality regulation. Air New Zealand does not accept that characterisation. The draft decision does not give the Commission approval rights, nor does it give airlines a veto. It requires airports to disclose information about major investment decisions that will materially affect consumers, which is squarely within the purpose of ID. Interested persons cannot assess whether the Part 4 purpose is being met unless the information is sufficient, readily available and timely. For major capex, timeliness is not a secondary issue. It is fundamental to whether the information is useful at all.

The Commission should not accept the characterisation that earlier and better disclosure is equivalent to some form of quasi-regulatory control. Air New Zealand continues to consider that stronger forms of economic regulation, including price path regulation or negotiate-arbitrate oversight, would provide more effective discipline over major airport investment. However, this submission is deliberately focused on the improvements that can properly be made through the ID regime.

Within ID, the Commission can and should require better information on major capex decision-making. That is what the draft decision seeks to achieve.

b) Civil Aviation Act consultation

Airports are also likely to argue that Civil Aviation Act (the Act) consultation already deals with major capex engagement. Consultation under the Act and ID serve different purposes. Consultation is a customer engagement process while ID is a regulatory transparency tool designed to ensure that interested persons (not only substantial customers) have enough consistent and comparable information to assess whether the Part 4 purpose is being met.

The fact that consultation has occurred, including over an extended period, does not necessarily mean that airlines, the Commission or other interested persons have timely and sufficient visibility of the full capital programme, material changes in its cost, or its pricing and demand implications over the full investment horizon. Without that information, interested persons may still be unable to assess whether the Part 4 purpose is being met. Air New Zealand supports the Commission's decision to align the timing of major capex disclosure with the Act's consultation trigger as a pragmatic way to avoid creating a separate consultation process under ID. The Commission will appreciate that consultation under the Act does not displace the need for ID.

c) Regulatory burden

Airports are likely to raise concerns about regulatory burden, duplication, investment delay and the proper scope of ID. These concerns should not displace the draft decision for the following reasons:

- The proposed requirements are targeted: they apply only to major capex above a high threshold, not to business-as-usual reporting.
- Much of the required information should already exist as part of prudent governance for major infrastructure investment. If an airport is proposing a project or programme that exceeds 20% of its RAB, it should already be able to explain the need, options, cost, benefits, service outcomes, allocation and risk.
- The requirements should not delay efficient investment: efficient investment should be capable of being explained and supported by evidence, and earlier disclosure should improve confidence in good investment rather than prevent it.
- As noted in b) above, the requirements do not duplicate consultation under the Act, they complement it by ensuring key information is disclosed in a consistent and public way for Part 4 purposes.

The Commission should not discount airline views as reflecting only narrow commercial interests. Airlines are not the only voice for consumers, but they are a practical proxy for many consumer impacts because airport charges flow directly into the economics of air services. Those charges affect fares, demand, frequency, route viability and connectivity. Air New Zealand's perspective is therefore directly relevant to whether major airport investment promotes outcomes consistent with the long-term benefit of consumers. The relevance of airport charges does not depend on them being the largest airline cost pressure. The relevant question is whether major airport investment materially affects aeronautical charges and through those charges: fares, demand, route viability and ultimately connectivity.

d) Investor uncertainty

We also expect airports to warn that these requirements will unsettle investors. That concern is not persuasive. Well-designed disclosure should reduce uncertainty. Investors should want confidence that major airport investments have been properly tested, that capacity is aligned with credible demand forecasts, and that costs added to the RAB are efficient and defensible.

The greater investor risk is that a major investment is over-scoped, poorly timed, or based on demand assumptions that do not hold, each creating the potential for underutilised assets, higher charges, suppressed demand, and future regulatory or political pressure. Earlier and better disclosure can help reduce that risk by giving airports, airlines, investors and the Commission a clearer view of the investment case before costs are locked in.

The same logic applies directly to the assurance requirements discussed in section 8 below: independent testing of a project's assumptions is what gives investors confidence it will hold up, not a reason to avoid it.

3. <u>The RAB-based approach with a fixed backstop</u>

As noted in our previous submissions, Air New Zealand supports the Commission's decision to apply the new requirements only to major capex. The proposed 20% of opening RAB threshold is a reasonable starting point, noting however that it will screen out all but the biggest projects.[1] However, Air New Zealand remains concerned that a percentage-only threshold may become less effective over time as airport RABs grow. That could mean increasingly material projects fall outside the new requirements. For example, by the end of Price Setting Event (PSE) 5, a 20% RAB threshold at Auckland Airport will be equivalent to $1.2b.

Air New Zealand therefore recommends that the Commission widen the definition of major capex to include projects that exceed 20% of opening RAB or projects which exceed a fixed backstop of say $200m. We expect the Commission may wish to review this fixed threshold over time as airport RABs increase.

The purpose of the threshold is to capture investments that are material to consumers, not only investments that are material relative to a growing airport asset base. An investment of $200m represents $29m in additional aeronautical charges. A fixed dollar backstop would not undermine proportionality as airports argue. If an investment is expected to cost more than $200m, it is difficult to see why disclosure of the need, options, cost, benefits, service levels, and allocation would be disproportionate.

4. Programme definition

Air New Zealand supports the Commission's proposal to capture a project or programme of capital expenditure and to treat a group of projects that together contribute to one output or overlapping outputs as a programme.

The main risk is that airports avoid the disclosure requirements by splitting a master plan into smaller projects, sequencing works across different periods, narrowing the definition of an "output", or treating interdependent projects as separate investments. Major airport investment is often delivered through long-term master plans, staged precinct works, enabling infrastructure, temporary works, terminal reconfiguration, transport access, utilities and capacity projects that are linked but governed internally as separate projects.

The final decision should make clear that a "programme" includes projects that are functionally connected, even if delivered in stages, approved through separate internal business cases, or recovered through different charging categories. At a minimum, this should capture enabling works required for the preferred investment option; staged works that together deliver the same or overlapping capacity, service or resilience outcome; projects sequenced across more than one pricing period or that depend on each other to deliver the claimed benefits; common infrastructure supporting both regulated and unregulated activities; temporary or transitional works required because of the major capex programme; and works described separately in an airport master plan but functionally connected to the same investment outcome. If projects are connected in purpose, benefit, delivery, cost recovery or consumer impact, they should be assessed together.

5. Renewals: clarifying the exclusion

The draft decision excludes renewals from the definition of major capex. Air New Zealand understands the rationale and agrees that routine like-for-like renewals should not trigger the same disclosure requirements as major new investment. However, the exclusion creates a potential avoidance risk if it is not clearly defined.

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[1] Based on our analysis of historical expenditure (utilising the Commission's Information Disclosure database), no projects undertaken by Wellington or Christchurch airports would have exceeded the proposed major project threshold during the period 2012 to 2025. AIAL would have exceeded the proposed major project 20% threshold in PSE4, would likely have exceeded it in PSE3 but would not have triggered it in PSE2.

Major airport projects often include a mix of renewal, enhancement, growth, resilience and service quality components. A project may be described as renewal-related while still materially increasing capacity, changing service levels, extending asset life, altering allocation, or affecting future aeronautical charges.

The final decision should clarify that the renewals exclusion applies only to genuinely like-for-like replacement that does not materially change capacity, Level of Service, resilience or redundancy, asset life beyond ordinary replacement, the allocation of assets or costs between regulated and unregulated activities or between customer groups, or the expected aeronautical price path. Where a project includes both renewal and enhancement components, the enhancement or growth component should be included when assessing whether the major capex threshold is met. Without this clarification, airports could have an incentive to describe significant projects as renewal-related, even where the practical effect is to deliver additional capacity, quality, resilience or commercial benefit.

6. <u>Timing</u>

Air New Zealand supports the Commission's proposal to require disclosure within 10 working days after an airport decides to consult substantial customers on a proposed major capex project or programme. That timing is better than disclosure after prices have been set or after capital has been committed and should improve transparency at a more useful point in the decision-making process.

However, the effectiveness of the requirement depends on when the airport chooses to consult. If consultation occurs after scope, timing, cost and the preferred option are already effectively settled, the disclosure will still arrive too late to be useful. The final decision should make clear that disclosure is intended to occur when the airport has sufficient information to consult meaningfully, but before the proposed major capex project or programme is effectively locked in.

Air New Zealand also supports the Commission's proposal to require further disclosure where an airport decides to reconsult following a significant or material change to a proposed major capex project or programme. However, the obligation should not depend entirely on whether the airport characterises the change as requiring re-consultation. The airport should be required to update the disclosure if there is a material change to the scope, cost, timing, forecast demand, pricing impact, preferred option, Level of Service assumptions, cost or asset allocation, deliverability risk, or the basis on which consumer benefits were assessed.

This is necessary to ensure that the disclosed information remains sufficient, timely and readily available for interested persons to assess whether the Part 4 purpose is being met. Where the investment case has materially changed, the original disclosure may no longer provide a reliable basis for that assessment.

7. <u>Cost-benefit analysis, Level of Service and allocation</u>

a) Cost-benefit analysis

Air New Zealand strongly supports the proposed cost-benefit analysis (CBA) requirements. For major capex, interested persons need to understand the problem the airport is trying to solve, how that need was assessed, the options considered and why the preferred option was chosen, the costs and benefits of the preferred option and of alternatives, the sensitivity of the analysis to key assumptions, and how the investment supports the long-term benefit of consumers. The Commission's proposed CBA requirements are appropriately focused, and Air New Zealand particularly supports requiring disclosure of the "do nothing" option, the least expensive option, a cost-benefit ratio, methodology and assumptions, and sensitivity analysis.

Air New Zealand recommends one further addition. Where major capex is expected to be recovered through aeronautical charges, the CBA should include the expected pricing and demand impact of the investment over the full period in which its costs are expected to be recovered, including beyond the current PSE, either as a forecast or as credible ranges under scenarios. This is consistent with independent economic modelling of the relationship between airport charges, airfares and demand, which has shown higher passenger volumes under lower-cost or alternative regulatory scenarios.[2] This information is therefore necessary for interested persons to assess the proposal against the Part 4 purpose. Consumer impacts do not arise only through the physical asset delivered. They also arise through the charges required to fund that asset and the effect of those charges on demand, route economics and connectivity.

Airports may argue that pricing and demand impacts are uncertain at the time of consultation. That may be true in some cases. But, uncertainty is not a reason to omit the information. It is a reason to disclose the relevant assumptions, sensitivities and scenarios. Interested persons are otherwise left to guess at the scale of the pricing impact (including over future PSEs), with no way to test whether the investment is efficient, proportionate and demand led. This is particularly important in a highly price-sensitive industry such as aviation, where airlines have limited ability to absorb sustained cost increases and demand can fall materially once prices move beyond a certain point on the pricing curve. That is why it is important that the pricing and demand impacts of major capex are disclosed and tested up front.

b) Level of Service

Air New Zealand supports the proposed disclosure of Level of Service assumptions and parameters where they are used in planning major capex. Level of Service disclosure is important because it links the proposed investment to the service outcome that consumers are expected to receive. Air New Zealand supports the use of recognised standards, including IATA Level of Service standards, as a useful planning framework for terminal facilities. Those standards provide a common reference point for assessing whether proposed infrastructure reflects consumer demand and service expectations, while avoiding the risk of under-provision or over-design.

Air New Zealand also supports the Commission's proposal that airports disclose the reasons and method of measurement underpinning the Level of Service assumptions used. The final decision should require airports to explain not only which Level of Service standard has been applied, but why the airport has chosen a particular point within the relevant range. That explanation should include the current baseline, the target level, the reason for choosing that target, the cost implications of doing so, whether lower-cost options would deliver an acceptable service outcome, and how airline and passenger demand has been considered. This is especially important where a higher Level of Service materially increases cost. Interested persons should be able to understand the planning judgement being made, the trade-off between service quality and affordability, and how that judgement supports the long-term benefit of consumers.

c) Cost and asset allocation

Air New Zealand strongly supports the proposed requirement to disclose forward-looking cost and asset allocation information for major capex. Airport assets routinely support both regulated and unregulated activities at once, which creates a direct risk of cross-subsidy if shared costs are not allocated properly. Terminal developments, access roads, utilities, precinct infrastructure, common services and enabling works can benefit aeronautical services as well as retail, car parking, property and other commercial activities. Where shared costs are

[2] *Impact of Auckland Airport's charging regime on New Zealand Aviation* (Castalia, May 2025).

allocated disproportionately to the regulated asset base, airlines and passengers can end up funding infrastructure that also supports unregulated commercial revenue.

A related issue is transparency around the commercial and contracting models used for major capex. The Commission should encourage airports to disclose how material project risks are allocated between the airport, contractors and customers, where that allocation affects forecasted project costs. Where airports can pass significant risk through to customers or require contractors to price that risk into their bids, the result may be higher construction costs and ultimately, higher aeronautical charges.

New Zealand's dual till model makes this risk hard to avoid: commercial upside stays with the airport, while aeronautical infrastructure costs are recovered from airlines and passengers through airport charges. Forward-looking allocation disclosure will help interested persons understand how airports propose to allocate costs before those costs are embedded in prices. It will also allow interested persons to assess whether allocation decisions are consistent with the input methodologies and with the Part 4 purpose.

Air New Zealand supports the Commission’s proposal that airports disclose forecast cost and asset allocation between regulated and unregulated activities, priced and non-priced activities, and different passenger or customer groups where relevant. Where costs or assets cannot be directly attributed to a particular activity or customer group, airports should be required to explain the basis for allocation, the rules applied, and the impact of those allocation decisions on aeronautical charges.

The final decision should also make clear that this requirement applies to common infrastructure that supports both airport commercial activity and aeronautical services, including access, roading, utilities, terminal common areas and enabling works. Without this information, interested persons cannot properly assess whether the costs of major investment are being allocated to the activities and users that benefit from it.

Air New Zealand also identified in its submission on the process and issues paper a broader limitation in the existing cost and asset allocation disclosures. Schedules 9 and 10 require airports to disclose the allocators they use, but do not identify the amount of costs or assets allocated using each allocator. Where a large number of allocators is disclosed (Auckland Airport for example discloses approximately 40 separate allocators), interested persons cannot readily determine which allocators are financially material and should be subject to closer scrutiny.

The schedules should therefore be amended to require disclosure of the value of the costs or assets allocated using each allocator. This would allow interested persons to assess the materiality and effect of the allocation methodologies applied, without imposing a significant additional burden on airports. Air New Zealand recommends that the Commission reconsider this proposal and make the corresponding amendments to Schedules 9 and 10.

8. Independent assurance and peer review

Air New Zealand supports the proposed requirement to disclose any independent assurance or peer review report held by an airport on major capex. However, the final decision should go further to ensure that assurance is genuinely independent, appropriately scoped, and useful for interested persons assessing whether the Part 4 purpose is being met.

As Air New Zealand has previously submitted, independent assurance is one of the most useful ways to improve confidence in major airport investment decisions. Where an airport is committing to a major investment decision that will materially affect prices and consumers, interested persons should be able to see whether the need, options, cost, deliverability,

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allocation and pricing impact have been tested independently of the airport's preferred outcome.

The draft decision is a useful step, but disclosure of reports already held by the airport is not enough on its own. The value of the requirement will depend on what the airport chose to commission, who undertook the review, how the scope was framed, and whether the review tested the full investment case or only a narrower aspect of it.

Air New Zealand therefore recommends that the Commission's final decision include the following:

- Independent assurance for major capex above the threshold. These are not ordinary business-as-usual investments. They are projects or programmes large enough to materially affect consumer outcomes over a long period. Independent testing of the key assumptions is reasonable before costs are locked into the RAB.
- A substantive independence requirement. The reviewer should be independent of the airport's project team, preferred investment option and key advisers. Independence should not turn only on who pays for the review. The more important safeguards are who appoints or approves the reviewer, how the scope is set, whether the reviewer has access to the information needed, and whether the instructions, assumptions, limitations and findings are disclosed. Ideally, the reviewer should be appointed or approved by the Commission, with the airport meeting the reasonable cost.
- A scope that tests the matters relevant to the Part 4 purpose. A cost estimate peer review may be useful but is not sufficient on its own. The assurance should address the need for the investment, options considered, cost estimates and risk allowances, deliverability, allocation, pricing impact, and consumer benefits.
- Disclosure of the review's scope and limitations, including the instructions given to the reviewer, the assumptions tested, any material limitations or exclusions, and the airport's response to the findings.
- Disclosure where no assurance was obtained. If the Commission does not require independent assurance in every case, airports should at least disclose whether assurance was obtained and, if not, why.

This would also reduce the risk that the major capex requirements are avoided or diluted through how projects are defined or presented. If a major investment is split into smaller projects, characterised as renewal-related, or presented through a narrow project scope, independent assurance should help test whether the proposal reflects the substance of the investment and its impact on consumers.

Air New Zealand supports the Commission's reference to the Transpower framework as a useful guide. The final decision need not replicate that framework in full, but the same principles should apply: independence, appropriate expertise, transparent scope, clear assumptions, and enough information for interested persons to assess the robustness of the major capex proposal.

9. Making the new disclosures work in practice

a) Commission summary and analysis

The new disclosures will be most effective if they are accompanied, where appropriate, by timely Commission summary and analysis. Air New Zealand encourages the Commission to publish timely summary and analysis of major capex disclosures, particularly where the proposed capex is large, contentious, central to a PSE, or expected to have a material impact on prices, demand or service outcomes.

This does not require the Commission to conduct a detailed review of every major capex project or programme. However, timely Commission analysis would help interested persons understand the disclosed material and assess whether the Part 4 purpose is being met.

It would also improve the practical effectiveness of the regime. Without timely analysis, the burden of interpreting complex disclosures will fall heavily on airlines and other interested persons. That would preserve much of the information asymmetry the amendments are intended to address.

b) Application to upcoming price-setting processes

Air New Zealand supports the Commission's proposal that the new requirements apply from the date of publication of the final determination. The final decision should apply to upcoming major capex processes as far as possible, including any major capex consultation that begins after the final determination is published.

Auckland Airport's next PSE will be an important practical test of the amended ID regime. The scale of Auckland Airport's capital programme means interested persons will need early and detailed information on the capex envelope, options assessment, Level of Service rationale, cost and asset allocation, pricing impact, target return and demand assumptions.

Air New Zealand recognises that some major airport investment programmes are already well advanced. If major capex consultation is already underway when the final determination is published, the Commission should consider how the new requirements can be applied where the relevant investment proposal remains under consultation or is materially updated after the final determination date. This would give the Commission and interested persons better visibility before any remaining investment decisions are effectively locked in. At minimum, the Commission should state clearly that it expects regulated airports to provide the information contemplated by the draft decision where major capex consultation is live, or where a PSE has not yet concluded. This would avoid a poor outcome where the final decision identifies the right problem but arrives too late to improve disclosure for the next major airport investment cycle.

10. <u>Other proposed improvements to ID</u>

a) Capex, depreciation and tax information

The purpose of the ID regime is to ensure that interested persons have sufficient information to assess whether the purpose of Part 4 is being met, including whether regulated airports are limited in their ability to extract excessive profits.

Air New Zealand remains concerned that the information currently disclosed at a PSE is not sufficient to allow interested persons to undertake an independent and reliable assessment of airport profitability. Instead, interested persons must generally wait until the Commission completes its post price-setting review and publishes its financial modelling.

This regime would be more transparent and effective if the ID enabled interested persons to replicate that analysis themselves. In its submission on the process and issues paper, Air New Zealand therefore recommended that the ID also require:

- Depreciation and capex forecasts broken down by asset category, consistent with the current requirement to disclose revaluations in Schedule 18 (for both total asset base and priced asset base).
- Tax information including the opening tax RAB at the beginning of a PSE and tax depreciation forecasts by asset category.

Disclosure of forecast depreciation and capex by asset category would allow interested persons to roll forward the RAB more accurately and understand the airport's proposed treatment of key asset classes. The Commission sources information in this format from airports to undertake its post price-setting financial modelling but this information is not currently included in the price-setting schedules. Air New Zealand notes that similar information is also disclosed through the annual ex post disclosures.

Tax depreciation and the tax RAB are also material inputs into the profitability assessment. Without accurate tax information, interested persons cannot reliably replicate the Commission's analysis.

Air New Zealand therefore supports the Commission's proposed additional tax disclosures. As the Commission recognises, these disclosures should enable more informed scrutiny of pricing decisions and assist interested persons to replicate the Commission's profitability analysis. However, the tax information will not be sufficient on its own. To achieve this objective, the price-setting schedules should also include the forecast capex and depreciation information described above.

Air New Zealand also supports the proposed amendment to the debt leverage assumption in Schedule 3b(iv), so that the disclosed value is consistent with the relevant airport input methodology rather than being hard-coded in the ID schedule. These amendments are sensible and should be retained.

b) Forecasting major capex

Where a PSE includes major forecast capex, prices are set on the assumption that the forecast expenditure will occur. However, the timing and cost of major capex projects can change materially for a multitude of reasons including delays, scope changes, delivery constraints and other project risks.

Current ID settings do not require airports to update their capex forecasts as the PSE unfolds. As a result, interested persons may be unable to determine whether a material variance reflects only a timing difference or a more fundamental change to the expected cost or scope of the project. This creates uncertainty about the current investment programme and its potential effect on future prices.

As Air New Zealand submitted in its response to the process and issues paper, this issue could be addressed through targeted amendments to Schedule 6b. Rather than simply repeating the forecasts disclosed at the PSE, Schedule 6b should require airports to disclose:

- actual capex for the disclosure year (and prior years in the PSE);
- an updated forecast of the expenditure required to complete the programme over the remaining years of the PSE;
- an explanation of any material variance between the updated forecast cost to complete and the forecast disclosed at the PSE.

These changes would allow interested persons to assess the delivery and cost of major capex as the programme progresses and to understand the potential implications for future aeronautical charges. Air New Zealand recommends that the Commission reconsider this proposal and make the necessary amendments to Schedule 6b.

11. Conclusion

Air New Zealand strongly supports the Commission's draft decision. The proposed amendments are a necessary response to a clear weakness in the current ID regime.

The final decision should retain the core package and strengthen it in targeted ways. Air New Zealand recommends tightening the threshold and programme definition, clarifying the renewals exclusion, requiring updated disclosure where material assumptions change, including pricing and demand impacts, preserving strong Level of Service and cost allocation disclosure, strengthening the assurance requirement, and applying the requirements to upcoming major capex processes as far as possible. Air New Zealand also recommends targeted improvements to the price-setting, capex forecasting and allocation schedules to enable interested persons to undertake more effective independent analysis.

These changes would not turn ID into project approval or price control. They would make the ID regime more effective at the point where it matters most: before major investment costs are embedded in charges paid by airlines and passengers. That is the role ID should play in a regime designed to support the long-term benefit of consumers.

Ngā mihi nui,

[redacted] [redacted]

Richard Thomson

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Air New Zealand