

Input methodologies review

Airports profitability assessment - workshop 1

Agenda

Date of publication: 1 December 2015

Purpose

- 1.1 This paper sets out the agenda, format and discussion points for the first of two workshops for the IM review in relation to the airports¹ profitability assessment (Airports workshop 1).²

Workshop purpose and objectives

- 1.2 The Airports workshop 1's purpose is to seek key stakeholder views on how airports profitability assessment could be performed. The discussions on the assessment indicator will cover both the ex-ante and the ex-post profitability assessment.
- 1.3 The objective of the Airports workshop 1 is for us to understand stakeholders views on:
- 1.3.1 The purpose and factors that will make the airports profitability assessment successful;
 - 1.3.2 Options for assessing airports profitability; and
 - 1.3.3 How the airports input methodologies (IM) can support the potential approaches.
- 1.4 The airports profitability assessment to be discussed at Airports workshop 1 excludes the Market Value Alternative Use (MVAU) land valuation topic which is considered as part of the airports fast-track process.

Workshop format and process

- 1.5 The Airports workshop 1 will use a round table format to allow an open discussion and exchange of information between workshop participants. We will seek to canvass a full range of views by inviting presentation from and discussion with workshop participants.
- 1.6 Any views expressed by our staff or our advisors at the Airports workshop 1 are for the purpose of stimulating discussion, and are not intended to reflect the views of the Commission. Our position will be provided in the draft decision.

Role of workshop in the consultation process

- 1.7 The Airports workshop 1 is a step in our process for considering amendments to the airports IM determination as part of the IM review.³ The indicative consultation

¹ References to airports in this paper are to those airports regulated under Part 4 of the Commerce Act 1986, being Auckland International Airport Limited, Christchurch International Airport Limited, and Wellington International Airport Limited.

² The agenda is attached to this document as Attachment A.

steps events and indicative dates are outlined in our process update paper published 30 October 2015.⁴

- 1.8 The second workshop will be focused on seeking interested parties' views on resolving issues, raised during the problem definition phase and at the Airports workshop 1, through amendments to the airports IM determination and in the context of a proposed approach to assessing airports profitability.
- 1.9 In June 2016 we intend publishing a draft decision on the IM determinations amendments and draft reasons. We intend to complete the IM review by December 2016.

Experts

- 1.10 We expect that experts attending the Airports workshop 1 will express their views as impartial experts in their fields rather than an advocate for any particular party.

Confidential information

- 1.11 We do not intend to hold closed sessions for participants providing confidential information during the workshop. If parties wish to discuss confidential information at the workshop, please advise Karen Smith c/- regulation.branch@comcom.govt.nz.

Workshop recording

- 1.12 The Airports workshop 1 will not be recorded or transcribed. A summary of views expressed will be taken at the workshop and published on our website.
- 1.13 Any papers or slides presented by us or stakeholders at the Airports workshop 1 will be published on our website.

Workshop date and venue

- 1.14 The Airports workshop 1 will be held on 1st December 2015 in the Sunderland room at Wellington Airport Conference Centre.

³ We will also consider what changes to the ID determinations may be necessary to support our proposed approach to the airports profitability assessment. Amendments to the ID determination will be considered as part of a separate consultation process.

⁴ Commerce Commission "Input Methodologies Review: Process update paper" (30 October 2015).

Registering attendance and contact

1.15 All persons attending the Airports workshop 1 are required to register. To register, please email Karen Smith c/- regulation.branch@comcom.govt.nz with the information outlined in the table below by 5pm on **16 November 2015**.

No.	Names of attendees	Email addresses of attendees	Dietary requirements (if any)	Technology Requirements (if any)
1				
2				

Attachment A: Workshop agenda

Ref	Start	Session topic and discussion points	Duration
1	9.00	Introduction and welcome	5 min
2	9.05	Purpose and Agenda <ul style="list-style-type: none"> • Purpose of the workshop • Overview of the agenda 	30 min
3	9.35	Purpose of the airports profitability assessment <ul style="list-style-type: none"> • Overview of the purpose of the airports profitability assessment in relation to the Part 4 purpose and purpose of information disclosure • The role of summary and analysis in the assessment process • Framework principles applicable to the airports profitability assessment • Other matters for consideration in determining an appropriate approach to assessing airport profitability • Outcomes of profitability assessment 	45 min
	10.20	Morning Tea	15 min
4	10.35	Lessons learned <ul style="list-style-type: none"> • Lessons learned from previous assessments of airports profitability • Other challenges identified 	60 min
5	11.35	Options for assessing airports profitability <ul style="list-style-type: none"> • Overview of an internal rate of return for an enduring period • Overview of an annual IRR with a carry forward mechanism • Advantages, disadvantages and concerns of both approaches • Importance of separating profits • Alternative options to assessing airports profitability 	45 min
	12.20	Lunch	60 min
6	1.20	Options for assessing airports profitability - continued	45 min

Ref	Start	Session topic and discussion points	Duration
7	2.05	Incentives and risks <ul style="list-style-type: none"> • Current airport incentives • Risk allocation in a regulatory context • Opportunities for the airports profitability assessment 	60 min
	3.05	Afternoon Tea	15 min
8	3.20	Wrap-up <ul style="list-style-type: none"> • Key issues covered • Next steps • Post workshop decision 	20 min
8	3.40	IM review issues and workshop 2 <ul style="list-style-type: none"> • Indexed revaluations • Depreciation • Land held for future use • Opening land valuation date 	20 min