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Public version

Airports profitability assessment - Workshop 2

Agenda and additional information to prepare for Workshop 2

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Purpose

- 1.1 This paper sets out the agenda, format and discussion points for the second of two workshops for the IM review in relation to the airports profitability assessment (Workshop 2).¹
- 1.2 In combination with various discussions that we had with key stakeholders leading up to Workshop 2, it provides the information required for Workshop 2 participants to prepare for the event.

Workshop purpose and objectives

- 1.3 The purpose of Workshop 2 is to present Commission staff's emerging view on the approach to assessing profitability with a view to discussing the pros and cons of possible solutions to the problems identified in the first workshop with interested parties.
- 1.4 The proposed solutions include changes to input methodologies and information disclosure requirements in order to provide a meaningful headline indicator of expected profitability when Airports disclose information about price setting events.
- 1.5 The objectives of Workshop 2 are:
 - 1.5.1 To provide stakeholders with an overview of the Commission staff's emerging view on how we might assess profitability in future;²
 - 1.5.2 To provide demonstrations of how proposed solutions for specific issues that have been identified for the IM review in relation to the airports profitability assessment would work;
 - 1.5.3 To give stakeholders an opportunity to present their views on how profitability should be assessed in future; and
 - 1.5.4 To identify potential changes to both IMs and information disclosure requirements.

¹ Workshop 1 was held in December 2015 with a view to seeking key stakeholder's views on how airports profitability assessment could be performed.

² In developing our view, we have taken into account the views expressed by participants of the IM review forum held in July 2015 and Workshop 1. In addition, we took into account the views expressed in submissions made by stakeholders following these two events.

Workshop format and process

- 1.6 Workshop 2 will use a round table format to allow an open discussion and exchange of information between workshop participants. To canvass a full range of views we have invited presentations from workshop participants.
- 1.7 Any views expressed by our staff at Workshop 2 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 decisions which are scheduled for June 2016.

Role of workshops in the consultation process

- 1.8 Workshop 1 was a step in our process for considering amendments to the airports IM determination as part of the IM review.³ The indicative consultation steps events and indicative dates are outlined in our process update paper published 30 October 2015.⁴
- 1.9 Workshop 2 will focus on seeking interested parties' views on the Commission staff's emerging view on the approach to assessing profitability. We are intending to discuss possible solutions to the issues that have been identified for the IM review in relation to the airports profitability assessment through amendments to the airports IM determination and information disclosure requirements.
- 1.10 Views expressed at the workshop will inform our draft decisions on amendments to the IM and information disclosure requirements, which are scheduled for publication in June 2016. The draft decision stage will be the next opportunity to submit on our proposed approach to airports profitability assessment.
- 1.11 We intend to complete the IM review by December 2016, and will work towards a similar timeframe for final amendments to information disclosure requirements.

Experts

- 1.12 We expect that experts attending Workshop 2 will express their views as impartial experts in their fields rather than an advocate for any particular party.⁵

³ We also noted that we will consider what changes to the ID determinations may be necessary to support our proposed approach to the airports profitability assessment and that those amendments would be subject to a separate consultation process.

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

⁵ An expert means a person who has specialised knowledge or skill based on training, study or experience.

Confidential information

- 1.13 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 Hazel Burns c/- regulation.branch@comcom.govt.nz.

Workshop recording

- 1.14 Workshop 2 will not be recorded or transcribed. A summary of views expressed will be taken at the workshop and published on our website.

Workshop date and venue

- 1.15 Workshop 2 will be held from 9.00am to 4.30pm on Tuesday 26 April 2016 in the Sunderland room at Wellington Airport Conference Centre.

Attachment A: Workshop agenda

Ref	Start	Session topic and discussion points	Duration
1	9.00	Introduction and welcome	10 min
2	9.10	Purpose and agenda <ul style="list-style-type: none"> • Purpose of the workshop • Overview of the agenda 	20 min
3	9.30	NZAA – Principles that inform profitability assessment under information disclosure	10 min
4	9.40	Overview – Approach to profitability assessment <ul style="list-style-type: none"> • Key elements of a forward looking profitability indicator • Illustrative examples 	50 min
	10.30	Morning tea	15 min
5	10.45	Auckland Airport – Enabling transparency for Auckland Airport pricing and returns	15 min
6	11.00	Overview of proposed amendments to IMs and ID	75 min
	12.15	Lunch	60 min
7	1.15	Stylised examples <ul style="list-style-type: none"> • Un-forecast revaluation gains or losses • Risk allocation adjustments (eg, wash-ups) • Indexation of RAB • Non-standard depreciation 	25 min 20 min 30 min 30 min
	3.00	Afternoon tea	15 min
8	3.15	Stylised examples continued <ul style="list-style-type: none"> • Land held for future use 	30 min
9	3.45	Cost of capital	35 min
10	4.20	Wrap-up <ul style="list-style-type: none"> • Key issues covered • Next steps 	10 min