

Introduction

1. New Zealand Airports Association ("**NZ Airports**") welcomes the opportunity to submit on the Commerce Commission's ("**Commission**") revised draft input methodology ("**IM**") and information disclosure ("**ID**") determinations (together "**revised draft determinations**").
2. In reviewing the revised draft determinations, we have considered the Commission's intention that the further changes:¹
 - (a) include refinements to drafting that are a better way to give effect to the draft decision;
 - (b) reflect areas where the Commission has updated its view on certain issues; and
 - (c) give effect to timing and transition arrangements.
3. In providing these submissions we are also mindful that the Commission has focussed the scope of submissions on:²
 - (a) its updated views; and
 - (b) whether the drafting in the revised draft determinations accurately gives effect to the draft decision.
4. In this submission NZ Airports provides comments on the Commission's updated views and drafting, to explain our proposed amendments to the revised draft determinations - indicated in track changes in the **attached** versions (the Commission's changes in the documents have been accepted).
5. This submission deals first with the IM determination, with discussion on the ID determination and schedules following. We have used the Commission's decision references where relevant, and followed the order of topics discussed in the technical update paper.
6. We have provided substantive comments on some decisions which we disagree with, but in most cases, where the principle underlying the decision is supported, we have explained why the amendments to give effect to a decision are problematic and require refinement. Our suggested amendments aim to ensure the IM and ID determinations (including the schedules) are workable and transparent and give effect to the substantive outcomes in the Commission's draft decision.

Executive summary

7. For the most part, the changes made in the revised draft determinations are welcomed by NZ Airports. The majority of the changes, in our view, better give effect to the Commission's draft decision.
8. Our key outstanding concerns are:
 - (a) **Asset and cost allocators:** We appreciate the amendment to the definition in the IM determination to clarify that a proxy allocator can also be used when it is impractical

¹ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, paragraph 9

² Ibid, paragraph 16

to use a causal relationship. However, we disagree with the intended additional disclosure requirement for airports to explain the use of proxy asset or cost allocators. We are not aware of any significant concerns being raised in connection with airport cost allocation. Consequently, we do not consider the additional disclosure is justified.

- (b) **Standard depreciation:** NZ Airports does not support the disclosure requirements around assets lives when using a standard depreciation methodology. We have suggested amendments that would make the requirements more proportionate - that is, airports would explain any changes in asset lives that will have a material impact on depreciation.
- (c) **Unforecast revaluations:** We have summarised our understanding of the provisions and the Commission's intent for these disclosures below. Although the Commission's proposed approach appears workable:
 - (i) we have reservations that the requirement to disclose a "default" unforecast revaluation will cause confusion given the high likelihood it will not reflect pricing approaches. Given the complexity surrounding the disclosure of unforecast revaluations it will be important for the Commission to explicitly confirm its intent for the carry forward mechanism to provide flexibility for airports to adjust the unforecast revaluation disclosure to align it with their pricing approaches. Such clarity ought to be provided in its final reasons paper and ideally also in an explanatory note in the ID determination; and
 - (ii) limb (b) of the definition is unclear. We have suggested some amendments to better reflect our understanding of the Commission's intent. Regardless of whether the Commission accepts our proposals, it will be important for the final reasons paper to clearly explain how limb (b) is intended to apply.
- (d) **Standard error:** It appears that the Commission has removed the requirement for it to publish the standard error in its annual WACC determinations. It is not clear to us that change was intended. But if so, NZ Airports does not support the Commission's decision not to publish the standard error. Although publishing the mid-point WACC and standard error will still not give interested parties an informed picture of the inherent uncertainty of a regulatory WACC, it is better than publishing the mid-point alone.
- (e) **Conflation of IM/ID requirements and price setting:** We support the Commission addressing some areas of the determinations where there was previously drafting that implied the IM/ID requirements should be applied in price setting events (for example decision AV50 and AV40). However, the Commission's revised draft determinations have not comprehensively addressed this issue. There remain some areas where there is drafting that misrepresents the relationship between information disclosure requirements and price setting events. These are highlighted in our submission and in our marked up determinations.

Revised Input Methodology Determination

Cost allocation (decision CA12)

9. The Commission proposes to allow an airport to use a proxy asset or cost allocator where it is impractical to use a causal relationship.³ To give effect to this draft decision, the Commission has changed the definition of "proxy asset allocator" and "proxy cost allocator".
10. NZ Airports supports the principle underlying the Commission's decision. We understand the decision is largely based on BARNZ's submission.⁴ However, NZ Airports has concerns with the additional disclosure requirements proposed by the Commission.
11. In its submission on the draft determinations, BARNZ suggested amendments to the definitions of proxy cost and asset allocators to allow airports to continue to use a proxy allocator where it is impractical to use a causal relationship in order to preserve the commercial solution that airports and airlines agreed upon.⁵ BARNZ was concerned that the Commission's draft decision would limit the ability of the airports and BARNZ to agree on commercial approaches. NZ Airports stated its support for BARNZ's submission.⁶
12. We agree with the Commission's proposal to amend the definitions of "proxy asset allocator" and "proxy cost allocator" to also allow proxy allocators when it is *impractical* to use a causal relationship. We are of the view that this amendment remedies BARNZ's concern.
13. However, the Commission has retained its proposed requirements for airports to explain:
 - (a) why a causal relationship cannot be established or it is impractical to use a causal relationship; and
 - (b) the rationale for using a selected quantifiable measure for a proxy asset or cost allocator.
14. The Commission is aware that the use of proxy cost and asset allocators has not caused issues in the past. Furthermore, airports are already required to provide explanations of the rationale for cost allocation approaches in price setting disclosures, where the rationale and assumptions underlying forecast operational expenditure must be explained, and in Schedules 9 and 10 of annual information disclosures.⁷ This alone renders the proposed additional disclosure requirements redundant.
15. Put otherwise, there is no 'problem' that needs to be fixed. Therefore, the benefits of this proposed requirement cannot outweigh the costs. Accordingly, NZ Airports has proposed that the requirements for additional explanation in clauses 2.2(3-5) be removed.

Forecast IM CPI (decision AV40)

16. We support the Commission's proposal to remove the forecast IM CPI requirement in light of submissions from both airlines and airports that CPI forecasting has not been a material issue.⁸

³ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 30

⁴ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 31

⁵ BARNZ "Submission on the Commerce Commission Proposed Changes to the Input Methodology and Information Disclosure Determinations in relation to the Airport Topic" (4 August 2016) p 13

⁶ NZ Airports, Cross submission, at paragraph 74

⁷ While the Commission has not reviewed the annual ID disclosures at this stage of the IM review, we are of the view the current requirements are still relevant in determining whether additional IM requirements are necessary

⁸ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 31

The proposed disclosure would have been unduly onerous, as well as creating potential confusion with disclosure of multiple forecast revaluations.

AMWEE (decision AV55)

17. NZ Airports welcomes the Commission's clarification of the scope of the alternative methodologies with equivalent effect ("**AMWEE**") provision in connection with asset valuation and taxation methodologies.
18. We also support the Commission's decision to alter the language requiring the AMWEE to "*be likely to*" produce an equivalent effect to the IM, as unless an airport is applying the actual IM, evidence of total equivalence cannot be produced. However, we have suggested that the requirement for it to have an equivalent effect on "the price setting event" be removed, as it implies that the IM must be applied to prices (discussed further below).

Conflation of IM requirements and price setting

19. Further amendments to the revised IM determination are required to ensure that the language used throughout the IM determination correctly reflects the relationship between price setting and information disclosure. That is, the IM determination stipulates requirements for the price setting event *disclosures* an airport is required to make under the ID determination, rather than (inadvertently) stipulating requirements around the setting of prices.
20. Instances where this remains an issue are as follows.

(a) Asset revaluations (decision AV40)

- (i) The Commission has amended clause 3.7(6) to ensure that the ID compliance requirement is for airports to use the same approach for ID as used when setting prices (instead of requiring that airports use the IM approach in pricing).
- (ii) In our view, the changes made by the Commission are helpful but do not go far enough. In particular, it is possible that the revaluation approach airports apply in pricing is different to the indexed or non-indexed revaluations required to be disclosed. Under the current wording, it is not clear what airports should do if, for example, they forecast a one-off (non-indexed) revaluation. They would not be able to comply with the requirement to use the same approach when making disclosures as was used when setting prices.
- (iii) In our view, to remedy this problem entirely, the drafting of clause 3.7(6) must explicitly state a non-indexed approach can only be used for particular assets in IMs/ID if the airport elects not to revalue those assets in pricing. This would mean that if an airport is using a revaluation methodology for price setting that differs from the IM indexing methodology, it can still apply the IM indexing approach in disclosures (and will be able to explain why its revaluation approach in pricing is different).

(b) Non-standard depreciation (decision AV50)

- (i) The Commission has sought to provide further clarity about the requirements for an airport's use of a non-standard depreciation methodology. To give effect to this decision, the Commission has changed the definition of "*non-standard depreciation disclosure*" to remove any

indication that the IM dictates the depreciation method to be used at a price setting event. We support this change to the definition.

(ii) However, there needs to be further changes to clause 3.4(5), which states that "*a non-standard depreciation methodology may be applied at the time of a price setting event.*"

(iii) The conditions provided in 3.4(5)(a-c) that the airports must comply with are sufficient to ensure that the disclosure will be consistent with pricing decisions. It is neither necessary, nor appropriate, for the language of the clause to go beyond this and prescribe that certain approaches may or may not be applied in pricing.

(c) AMWEE (decision AV55)

(i) The mark-up of the IM determination previously submitted by NZ Airports also suggested that the words referring to the price setting event must be removed from clause 3.13(2)(a).⁹

(ii) These amendments have not been reflected in the revised draft ID determination. We assume that this is an oversight as we understand the Commission is clear that the IM determination should not set pricing outcomes.

21. We have proposed amendments to several of the clauses and related definitions mentioned above in the attached revised IM determination.

Standard error (decision CC22 relating to clauses 5.1, 5.5 and 5.6)

22. The Commission is now proposing in the IM not to publish the standard error of the mid-point estimate of WACC in its initial and annual WACC determinations. It is unclear whether the Commission has inadvertently removed the requirement for it to publish the standard error in its WACC determinations, as in the technical consultation update paper the Commission states the decision was made to revise the drafting to improve clarity.¹⁰

23. If, however, the Commission intends to remove the requirement, the standard error will only be relevant when calculating the WACC percentile equivalent for forecast cost of capital that airports may choose to disclose in pricing disclosures (clause 5.6(1)(c)).

24. The purpose of the ID regime is targeted at ensuring that information is readily available to interested persons to assess whether the purpose of Part 4 is being met. In that context, the way the Commission presents or publishes its WACC determination is important. NZ Airports has previously submitted that the Commission's initial proposal of only publishing the standard error and a mid-point WACC created a risk that interested parties would not have a sufficient appreciation of the degree of uncertainty and complexity in estimating WACC.¹¹

Moving away from a range towards a single point estimate (albeit with a standard error) runs the risk of interfering with that informed estimate by creating a misleading assumption about the accuracy of the WACC IM mid-point estimate as a reference point.

⁹ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 3

¹⁰ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 36

¹¹ NZ Airports, Submission on Draft IM and ID determinations, paragraph 67

25. Only publishing the mid-point WACC without the standard error will exacerbate this risk. To be clear, NZ Airports supports more, not less, information around the uncertainty of the WACC being published.¹²
26. As such, NZ Airports submits that standard error should continue to be published in the annual WACC determinations. Although imperfect, this is a materially better outcome than the Commission's current proposal, as it conveys to some extent the uncertainty inherent in estimating WACC.
27. We would also recommend that the Commission adds a note to its disclosure of the mid-point WACC, acknowledging that the estimate of WACC is subject to uncertainty which can be estimated using the standard error. That will assist to bring the uncertainty inherent in the calculation of the mid-point WACC to the attention of the reader. This does not need to be prescribed as an additional IM requirement, but could simply be noted by the Commission.

Revised Information Disclosure Determination

Unforecast revaluation gain/loss (definition in clause 1.4(3))

Mechanics

28. Our understanding is that the Commission intends for the following to be included in the disclosure of unforecast revaluations gains/losses:
- (a) periodic land valuations; and
 - (b) revaluations of other assets where an airport had elected not to revalue assets but subsequently includes revaluations in information disclosure in accordance with the proposed amended IM determination - that is, it changes its approach to revaluations. We have proposed amendments to limb (b) of the Commission's definition of unforecast revaluation gain/loss to make clear this is what it seeks to provide for, as the current drafting is unclear and confusing. This is because the definition refers to periodic land revaluations and indexed revaluations for non-indexed revaluations, which are contradictory concepts. In addition to modifying limb (b), we would ask the Commission to confirm the intended operation of limb (b) in its final reasons paper.
29. The Commission's approach effectively establishes a default adjustment to the opening RAB, obtained by applying relevant IM definitions. We note, however, that at the time of the price setting disclosure, revaluations as at the end of the disclosure year prior to the pricing period will not have been disclosed - in the same way that the RAB for the prior disclosure year will not have been disclosed (discussed below).
30. Further, airports may forecast revaluations in a different way in pricing. For example, an airport may forecast a periodic land revaluation. That would mean the "true" unforecast revaluation is the difference between that forecast and the actual periodic revaluation - and not the entire periodic land revaluation determined in accordance with the IMs.
31. It is therefore apparent that, for the types of reasons identified above, the "default" unforecast revaluation will, in itself, be unlikely to accurately reflect (at the time of price setting) the capital still to be appropriately recovered. We therefore continue to question the value of this disclosure - it is likely to confuse rather than assist interested parties.

¹² NZ Airports previously advocated for regular percentile estimates and a distribution curve to also be published, see NZ Airports, Submission on draft decision, paragraph 72

32. To accommodate the likely divergence between pricing approaches and the unforecast revaluation gains/losses disclosure, we understand that the Commission proposes that the "default" unforecast revaluations gains/losses can be adjusted by utilising the flexibility in both the opening and closing carry forward adjustments.
33. In particular, this would, as we understand it, allow only the "true" revaluation to be carried forward (ie the difference between the periodic land revaluation disclosed in accordance with the IM definitions and the airport pricing forecast for real asset revaluations), and for any other adjustments to be made to reflect the timing disparity between annual disclosures and the pricing disclosure.
34. This approach will allow the airports to make disclosures that match their pricing decisions (for example, if airports have forecast land revaluations above inflation and treated that forecast as income). Our understanding is that this flexibility is provided in the following definitions, but given the significance of this aspect of the disclosure mechanism, it is important that the Commission expressly confirms this:
- (a) "opening carry forward adjustment" includes *"other carry forward adjustments that are intended to reflect the remaining capital to be recovered as at the start of the pricing period"*; and
 - (b) "forecast closing carry forward adjustment" means *"an amount forecast by an airport as part of a price setting event that an airport intends to offset in a future price setting event"*.
35. We understand that the Commission's intention behind this decision is to:
- (a) establish default adjustments to the opening RAB, consistent with the IMs; and
 - (b) avoid prescription in the carry forward mechanism to allow airports to make any adjustments necessary to reflect their specific circumstances (and so the approach they took in pricing), which may differ between airports and over time.
36. In summary, under the Commission's proposal, the unforecast gains/losses disclosure is essentially the default IM position, and it is for the airports to make further adjustments to more accurately reflect their specific circumstances and pricing approaches.
37. We request that the Commission confirms, either by the inclusion of an explanatory note in the final ID determination and/or an explicit statement in the final reasons paper, that this is the approach the Commission intends airports to follow. In addition to providing clear direction to regulated airports, such confirmation will also provide clarity to other parties that may review information disclosures. A worked example in the Commission's final reasons paper would also provide useful guidance.
- Defined term
38. NZ Airports is concerned that the term "unforecast revaluation gain/loss" is misleading in light of the discussion above. Using the current definitions (and assuming the mechanics we have outlined above accurately reflect the Commission's intent), airports are required to place a value in a box labelled "unforecast revaluations", although that number is not technically an unforecast revaluation gain/loss.
39. We propose that the term is amended to "default opening carry forward revaluation adjustment".

Start date

40. For the start date, NZ Airports supports the Commission's decision that the un-forecast revaluation losses/gains (as currently labelled) can be carried forward:
- (a) from the start of the ID regime (ie 2010) for the first price setting event after 31 December 2016 (if the airport chooses); and
 - (b) from the previous pricing period for the second and subsequent price setting events after 31 December 2016.

Treatment of tax: assets held for future use and works under constructions (definitions in clause 1.4(3))

41. The Commission has:
- (a) included post tax revenue in the AHFU forecast and;
 - (b) amended the required disclosures from tax being included as an opex item to now being included as an offset to revenue.
42. The Commission indicated an intention for this change to achieve consistency with the treatment of tax for excluded assets in the IMs.¹³ We support this intention. However, there remain several inconsistencies around the treatment of tax which would benefit from being addressed. These are set out below.

Table 1: Treatment of tax

Disclosure	Input	Revenue	Opex	Tax
<i>Ex-ante</i>				
	AHFU	Net of tax ¹⁴	Separately disclosed ¹⁵	Offset against revenue ¹⁶
	WUC ¹⁷	No forecast	NA	NA
<i>Ex-post</i>				
	AHFU	Net of tax and opex ¹⁸	NA	NA
	WUC	Net of tax and opex ¹⁹	NA	NA

43. We suggest the Commission ensures that the definition of "net revenue" is consistently net of tax and opex.

¹³ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p31

¹⁴ Commerce Commission, Technical Consultation Update Paper, 13 October

Schedule 18 (ix)

¹⁶ See the definition of 'assets held for future use operating cost' and 'assets held for future use revenue' in 1.4(3)

¹⁷ Schedule 18 (viii)

¹⁸ Schedule 4 (b) (viii)

¹⁹ IM determination clause 3.9(5) (there is no acknowledgement of related costs)

Opening RAB (definition in clause 1.4(3))

44. The Commission has clarified that "*opening RAB*" means the RAB value disclosed in the most recent *ex-post* disclosure, rather than the RAB value for the previous disclosure year.²⁰ That is because the RAB value for the previous disclosure year will not be disclosed until after the price setting event disclosure. The means that the Opening RAB, as currently defined, will not be an appropriate input into the forecast IRR calculation - as it will be out of date at the time of price setting.
45. Nevertheless, the Commission proposes that the Opening RAB is disclosed in Schedule 18(i) as part of the forecast IRR disclosure. "Forecast post-tax IRR", according to the definition, is calculated based on the opening investment value, the forecast closing investment value and forecast net cash flows.
46. Accordingly, we understand the Commission is primarily concerned with obtaining an accurate opening investment value as an input into the IRR calculation. However, it is far from clear how the Commission expects that value to be obtained in light of its current proposals regarding the Opening RAB. The same issue arises in connection with the Opening asset base in Schedule 19.
47. That is because, as currently set out in the disclosure schedules, the current opening RAB incorrectly links to the pricing asset base in the disclosure schedules. We have indicated our concerns in the marked up disclosure schedules. We do not understand why if the Opening RAB is defined to be an IM compliant RAB value (consistent with the Commission's intent), it is then linked to a pricing asset value, which could be different to the IM value.
48. If that is simply an error in the links within the spreadsheet, then the issue remains as to how the Opening RAB should be appropriately adjusted. A potential approach is to use the carry forward adjustment. Although that would be technically effective, NZ Airports is of the view that transparency issues may arise, as it may not be clear from the disclosures how the opening RAB has been adjusted to the commencement of the new pricing period. Or put another way, when combined with the unforecast revaluation issues discussed above, it means that the other carry forward adjustments will need to do a lot of work to correct "default" disclosures that provide no information of value.
49. Accordingly, our preference for dealing with this issue is to amend the definition of Opening RAB to define it as an estimate of the most recent disclosure year RAB (the airports could explain how they have calculated this estimate). This relatively minor amendment will, in our view, materially improve transparency. We have proposed an amendment to the definition in the ID determination to reflect this.
50. We emphasise the need for the Commission to ensure the final reasons paper provides clarity that the opening investment value should be based on an estimate of the RAB for the disclosure year prior to price setting (ie an estimate of the RAB as at the time prices are set).

Asset category revaluation rate (decision AV40)

51. In Schedule 18 (xiii) airports are required to disclose one revaluation rate for each asset category. This requirement does not, on its face, appear to be entirely consistent with the Commission's decision to allow airports to have different revaluation approaches for assets within each asset category.²¹
52. We request the Commission make it clear in its final reasons paper:

²⁰ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 41

²¹ Commerce Commission, Technical Consultation Update Paper, 13 October 2016, p 31

- (a) that the disclosure requirements in Schedule 18 do not in any way remove or limit the flexibility given to airports to apply different revaluation rates to assets within the same category. For the avoidance of doubt, as indicated in our suggested mark up, those different revaluation rates could be different indexed rates within a category, or both indexed and non-indexed approaches within a category; and
- (b) how the disclosed revaluation rate is to be calculated in the scenario where multiple revaluation rates are used within one category. Our suggestion would be for the Commission to clarify that this is intended to be a weighted average of the revaluations rates used across a single category (as suggested in our track changes to the ID determination).

Depreciation and asset lives (clause 2.5(1)(q))

53. Under the revised ID determination, when using standard depreciation an airport must still disclose (clause 2.5(1)(q)):
- (a) an explanation of how standard depreciation reflects the utilisation of the RAB; and
 - (b) any change in forecast asset life and an explanation for this change.
54. As previously stated, in our view, these requirements are onerous but without delivering any benefit.²²
- (a) if an airport discloses a standard depreciation approach, further explanation of that approach should not be required. One should be able to assume that the standard IM approach is the best approach if an airport is using the standard expected time profile of capital recovery;
 - (b) the requirement to disclose a change in forecast asset life places an onerous burden on the airports due to their extensive asset registers, which include large numbers of low value assets; and
 - (c) the explanations are likely to require external advice for support or justification.
55. We have suggested that the requirements of documenting any change in forecast asset life and an explanation for this change are removed. Any material asset life issues are likely to be discussed when complying with (a): explaining how standard depreciation reflects the utilisation of the RAB.
56. If this proposed change is not accepted, a materiality threshold should be introduced so as to make the requirement consistent with the principles of the Commission's decision making framework for review of IMs. That is, the requirements of clause 2.5(1)(q) are only triggered where the change in forecast asset life has a material effect on forecast depreciation. This requirement is more proportionate, as the requirement will become less onerous for the airports, and the disclosures are more likely to be of some use to interested persons, who are unlikely to be concerned about changes to depreciation for assets below this value threshold. We have suggested amendments for this alternative solution.

Conflation of ID requirements and price setting

57. As discussed above in relation to the IM determination, we are also concerned about several areas in the ID determination where the language used does not accurately reflect the

²² NZ Airports submission on draft IM and ID determinations, paragraphs 40-44

relationship between disclosure requirements and price setting. As the Commission is aware, airports set prices under section 4A of the Airport Authorities Act 1966.

- (a) Definition of "*forecast assets held for future use revaluations*"
 - (i) The Commission has amended the definition of "*forecast assets held for future use revaluations*" to ensure consistency with the definition of "*forecast revaluations*". We support the amendments the Commission has made.
 - (ii) However, we note the clause requires the values to be used in consultation undertaken as part of a price setting event. If airports are not setting a charge for AHFU, the Airport Authorities Act 1966 does not require consultation regarding these assets. Therefore, the Commission cannot require airports to consult if there is no charge on the AHFU, or no foreseeable intent from airports to bring the AHFU into the RAB. Drafting has been suggested in the ID determination to remove this implication.
- (b) Disclosure of forecast revaluations (clause 2.5(r))
 - (i) The current drafting of the requirement inappropriately requires the forecast total asset base revenue requirements to be consistent with the revaluation approach under clause 3.7 of the IM determination.
 - (ii) Furthermore, the requirement for consistency with a price setting event is unnecessary given the definition of "*forecast revaluations*" refers to the consultation undertaken as part of the price setting event.
- (c) Indexed/non-indexed revaluations (clause 2.5(s) and definition of "*unforecast revaluation gains*" and "*asset category revaluation rate*")
 - (i) The language of these clauses ties the revaluation rate to the IMs, by requiring either an indexed revaluation rate in accordance with 3.7(6)(a) or a non-indexed revaluation rate, in accordance with 3.7(6)(b).
 - (ii) This is inappropriate as the price setting disclosures can only include *ex-ante* asset revaluation forecast rates used by the airports, which cannot possibly be the same as the *ex-post* IM rates.
- (d) Standard depreciation disclosures (clause 2.5 (q))
 - (i) The IM definition of standard depreciation is used in this clause.
 - (ii) This is inappropriate, as the airports should not be required to apply the IM approach when calculating forecast depreciation.
 - (iii) We note that this issue does not arise for non-standard depreciation disclosure under clause 2.5(p), due to the use of the term "non-standard depreciation methodology", which does not require an IM compliant method.

58. We have suggested amendments to the ID determination to address the above points.