

[REVISED DRAFT] Commerce Act (Specified Airport Services) Information Disclosure  
Amendments Determination 2016 -

Amendments to the body of the determination and Schedule 23 are marked as tracked  
changes

Schedules 2, 4, 18, 19, 20 and 24 have been either amended or created by us. These  
schedules will be provided as separate documents, and published alongside this draft  
amendment

**THIS DRAFT DETERMINATION IS FOR CONSULTATION PURPOSES ONLY**

Regulation Branch, Commerce Commission

Wellington, NEW ZEALAND

22 June 2016

<b>Determination version history</b>		
<b>Determination date</b>	<b>Decision number</b>	<b>Determination name</b>
22 December 2010	714	Commerce Act (Specified Airport Services Information Disclosure) Determination 2010
27 February 2012	NZCC 5	Amendment to Commerce Act (Specified Airport Services Information Disclosure) Determination 2010
[DATE]	NZCC [X]	[REVISED DRAFT] Commerce Act (Specified Airport Services) Information Disclosure Amendments Determination 2016



## [REVISED DRAFT] COMMERCE ACT (SPECIFIED AIRPORT SERVICES) INFORMATION DISCLOSURE AMENDMENTS DETERMINATION 2016

<b>PART 1</b>	<b>General provisions.....</b>	<b>4</b>	Field Code Changed
<b>1.1</b>	<b>Determination amended .....</b>	<b>4</b>	Field Code Changed
<b>1.2</b>	<b>Commencement Date .....</b>	<b>4</b>	Field Code Changed
<b>1.3</b>	<b>Application .....</b>	<b>4</b>	Field Code Changed
<b>1.4</b>	<b>Interpretation.....</b>	<b>4</b>	Field Code Changed
<b>PART 2</b>	<b>Disclosure Requirements.....</b>	<b>42</b>	Field Code Changed
<b>2.1</b>	<b>Information Disclosure.....</b>	<b>42</b>	Field Code Changed
<b>2.2</b>	<b>Applicable Input Methodologies.....</b>	<b>42</b>	Field Code Changed
<b>2.3</b>	<b>Annual Disclosure Relating to Financial Information.....</b>	<b>42</b>	Field Code Changed
<b>2.4</b>	<b>Annual Disclosure of Quality and Statistics.....</b>	<b>43</b>	Field Code Changed
<b>2.5</b>	<b>Disclosure Following Price Setting Event .....</b>	<b>44</b>	Field Code Changed
<b>2.6</b>	<b>Auditor’s Reports.....</b>	<b>49</b>	Field Code Changed
<b>2.7</b>	<b>Certificates .....</b>	<b>50</b>	Field Code Changed
<b>2.8</b>	<b>Retention and Continuing Disclosure .....</b>	<b>50</b>	Field Code Changed
<b>2.9</b>	<b>Exemptions .....</b>	<b>51</b>	Field Code Changed
<b>2.10</b>	<b>Transitional Provisions .....</b>	<b>51</b>	Field Code Changed

Pursuant to Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

## PART 1 GENERAL PROVISIONS

### 1.1 Determination amended

This revised determination amendment amends the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010.

**Comment [RMMB1]:** Suggested to improve clarity of drafting.

### 1.2 Commencement Date

This amendment comes into force on the date on which notice of it is given in the New Zealand Gazette under section 52Q of the Commerce Act 1986.

### 1.3 Application

This determination applies to **airport companies** as suppliers of regulated goods and services under Part 4 of the **Act**.

### 1.4 Interpretation

- (1) In this determination, unless the context otherwise requires—
- (a) terms in bold type have the meaning given to those terms in this clause 1.4;
  - (b) terms used in this determination that are defined in the **Act**, but not in this determination, have the same meanings in this determination as in the **Act**;
  - (c) a word which denotes the singular also denotes the plural and vice versa;
  - (d) any obligation to do something is deemed to include an obligation to cause that thing to be done;
  - (e) financial items must be measured and disclosed in accordance with **GAAP** unless otherwise provided in the **IM Determination**; and
  - (f) non-financial items must be measured and disclosed in accordance with standard industry practice.
- (2) If there is any inconsistency between the main body of this determination and any schedule to this determination, the main body of this determination prevails.
- (3) In this determination, including in the schedule, the words or phrases in bold type bear the following meanings:

**% variance** means the value of  $q$  calculated using the following formula:

$$q = \frac{a-b}{b} \times 100$$

where:

$a$  = **actual for current disclosure year**; and

$b$  = **forecast for current disclosure year**;

**2009 disclosed assets** has the meaning set out in the **IM determination**;

**2009 disclosure financial statements** has the meaning set out in the **IM determination**;

## A

**Act** means the Commerce Act 1986;

**actual for current disclosure year** means actual **capital expenditure** or actual **operational expenditure**, as the case may be, in the current **disclosure year**;

**actual for period to date** means the accumulated actual **capital expenditure** or actual **operational expenditure**, as the case may be, from the beginning of the current **pricing period**, and including the **actual for current disclosure year**;

**adjusted regulatory profit** means the **regulatory profit / (loss)** less the **notional interest tax shield**;

**adjustment for merger, acquisition or sale activity** means the value of regulatory assets that are added to, or removed from, the **RAB** by way of merger, acquisition or sale by an **airport** to another **airport**, multiplied by the proportion of the **disclosure year** the assets are available to the **airport** making the disclosure, where added assets have a positive value and removed assets have a negative value;

**adjustment resulting from cost allocation** means

- (a) in relation to the **RAB**, the value of  $q$  calculated using the following formula:

$$q = a - (b - c + d + e - f + g)$$

where:

$a$  = the **RAB value** for the current **disclosure year**;

$b$  = the **RAB value** for the previous **disclosure year**;

$c$  = **regulatory depreciation**;

$d$  = **total revaluations**;

$e$  = **assets commissioned**;

$f$  = **asset disposals**;

$g$  = **lost and found assets adjustment**;

The formula must be calculated using component values that relate to the **RAB**. These inputs are the values that result from the application of the cost allocation requirements of the **IM determination**;

- (b) in relation to **works under construction**, the adjustment to the value of allocated works under construction to account for changes in allocation of capital expenditure in **works under construction**;

**affected line item** means the row reference in the Consolidation Statement set out in clause 8a of Schedule 8;

**air passenger service** means an air operation operated by an air operator for the carriage of **passengers**;

**aircraft and freight activities** has the meaning set out in s 2 of the Airport Authorities Act 1966;

**aircraft movement** means an aircraft take-off or landing at an **airport**, so that one arrival and one departure in respect of the same aircraft is treated as two movements.

An aircraft movement is deemed to occur at the runway arrival time or the runway departure time as the case may be;

**airfield activities** has the meaning set out in s 2 of the Airport Authorities Act 1966;

**airport** or **airport business** means the parts of an **airport company** that provide **specified airport services**;

**airport activity charge** means revenue earned by an **airport** in relation to a specific charge or group of charges, other than **lease, rental and concession income**. In determining how charges are disclosed, consideration must be given to the charging structure outlined in the pricing methodology disclosed in accordance with clause 2.5(1);

**airport business—GAAP** means the financial performance of the **airport business**, disclosed in accordance with **GAAP**;

**airport company** means a company described in s 56A(2) of the **Act**;

**airport company—GAAP** means the financial performance of the **airport company**, which includes both regulated and unregulated services, disclosed in accordance with **GAAP**;

**airside circulation inbound—floor space** means the overall functional floor space, measured in square metres, of areas providing general circulation for:

- (a) **inbound passengers**;
- (b) travellers; and
- (c) concourse areas that provide access for:
  - (i) **inbound passengers** to and/or from security screening and **inbound** passport control where provided;
  - (ii) airbridge and terminal doorways (where **inbound passengers** depart or arrive into corridors); and
  - (iii) airside retail/concessions areas, but excluding retail and concession areas and floor curtilage spaces of one metre in width at entries and/or exits to retail/concessions and adjacent to shop-front window displays for retail/concessions;

**airside circulation outbound—floor space** means the overall functional floor space, measured in square metres, of:

- (a) areas providing general circulation for **outbound passengers**;
- (b) travellers; and
- (c) concourse areas that provide access for:
  - (i) **outbound passengers** to and/or from security screening and **outbound** passport control;
  - (ii) departure lounges;
  - (iii) airbridge and terminal doorways (where **outbound passengers** depart or arrive into corridors); and
  - (iv) airside retail/concessions, but excluding retail and concession areas and floor curtilage spaces of one metre in width at entries and/or

exits to retail/concessions and adjacent to shop-front window displays for retail/concessions;

**allocated non-current assets - year ended 2009** means the allocated value of the **2009 disclosed assets** as disclosed in the **2009 disclosure financial statements**;

**allocator** means the quantifiable metric (such as employee numbers or floor space) used as the numerator and denominator in determining a **cost allocator** or **asset allocator**;

**allocator type** means the basis for the attribution or allocation of an **operating cost** or **asset value** to a **regulated activity**, being “directly attributable”, “causal” or “proxy”;

**alternative methodology with equivalent effect** means a methodology applied by an **airport** in accordance with clause 3.13 of the **IM Determination**;

**arrivals concourse—floor space** means the overall functional floor space, measured in square metres, of areas occupied by the landside public meeting areas, including seating and waiting areas, but excluding retail and concession areas and floor curtilage area of one metre in width at entries and/or exits to retail/concessions and adjacent to shop-front window displays for retail/concessions;

**asset allocator** has the meaning set out in the **IM determination**;

**asset category** means one of the following asset types:

- (a) land;
- (b) sealed surfaces;
- (c) infrastructure and buildings; and
- (d) vehicles, plant and equipment;

**asset category revaluation rate** means, for each **asset category**,

~~an indexed revaluation rate~~ the weighted average of revaluation rates for each asset within the asset category and, for the avoidance of doubt, can include a combination of indexed and non-indexed revaluation approaches.

~~a non-indexed revaluation rate; or~~

~~both an indexed revaluation rate and a non-indexed revaluation rate.~~

**Comment [RMMB2]:** - The revaluation rate should not be tied to the IM definitions, as the only place asset revaluation rates are disclosed is in the price setting disclosures. We have also sought to make it clearer that multiple revaluation approaches could be used for different assets within an asset category. See cover submission for more detail.

**asset disposals** means  $q$  calculated using the following formula:

- (a) in relation to allocated asset disposals:

$$q = a + b + c$$

where:

$a$  = **asset disposals (other)** ;

$b$  = **assets disposed of to a regulated supplier**;

$c$  = **assets disposed of to a related party**;

- (b) in relation to unallocated asset disposals:

$$q = a + b + c$$

where:

- a* = **asset disposals (other)**;
- b* = **assets disposed of to a regulated supplier**;
- c* = **assets disposed of to a related party**;
- (c) in relation to forecast information, the regulatory carrying value of those assets which are forecast to be disposed of;

**asset disposals (other)** means the value of an asset disposal which is disposed of to a party other than a **regulated supplier** or a **related party**, and which is determined as follows:

- (a) in relation to the **unallocated RAB**, the unallocated opening **RAB** value less **regulatory depreciation** as determined in accordance with the input methodologies identified as applicable to that asset in the **IM determination**;
- (b) in relation to the **RAB**, the value of the assets (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**asset life** has the meaning set out in the **IM Determination**;

**asset maintenance** means **operational expenditure** that is incurred with the intention of maintaining the life of an existing asset and includes emergency maintenance;

**asset management and airport operations** means **operational expenditure**, but excludes **asset maintenance** and **corporate overheads operational expenditure**;

**asset replacement and renewal** means **capital expenditure** predominantly associated with the progressive physical deterioration of assets or their immediate surrounds, or **capital expenditure** arising as a result of the obsolescence of assets and excludes **capacity growth capital expenditure**;

**asset value** has the meaning set out in the **IM determination**;

**assets acquired from a regulated supplier** means:

- (a) in relation to the **unallocated RAB**, the value of assets acquired from another **regulated supplier** as determined in accordance with clause 3.9 of the **IM determination**;
- (b) in relation to the **RAB**, the value of the assets (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**assets acquired from a related party** means:

- (a) in relation to the **unallocated RAB** the value of assets acquired from a **related party** as determined in accordance with clause 3.9(1)(e) of the **IM determination**;
- (b) in relation to the **RAB**, means the value of the assets (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**assets commissioned** means:



- (a) in relation to the **unallocated RAB** or **works under construction**, the value of **commissioned** assets as determined in accordance with clause 3.9 of the **IM determination**;
- (b) in relation to the **RAB**, the value of the assets (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;
- (c) in relation to forecast information, a forecast of the value of the assets (as determined in accordance with paragraph (b)) for a future **disclosure year**;

**assets disposed of to a regulated supplier** means:

- (a) in relation to **unallocated RAB**, the unallocated opening **RAB** value less **regulatory depreciation** immediately preceding the disposal to a **regulated supplier**, as determined in accordance with the **IM determination**;
- (b) in relation to the **RAB**, the value of the assets (as determined in accordance with paragraph (a)) which was allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**assets disposed of to a related party** means:

- (a) in relation to the **unallocated RAB**, the unallocated opening **RAB** value less **regulatory depreciation** immediately preceding the disposal to a **related party**, as determined in accordance with the input methodologies identified as applicable to that asset in the **IM determination**;
- (b) in relation to the **RAB**, the value of the assets (as determined in accordance with paragraph (a)) which was allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**assets with nil physical asset life** means:

- (a) in relation to the **unallocated RAB**, the sum of **unallocated RAB** values from the previous **disclosure year** of assets that will have a nil physical life at the end of this **disclosure year**;
- (b) in relation to the **RAB**, the sum of **RAB** values from the previous **disclosure year** of assets that will have a nil physical life at the end of this **disclosure year**;

**assets held for future use** means the value of assets as determined in accordance with clause 3.11 of the **IM determination** where the asset meets paragraph (a) of the definition of 'excluded asset' in the **IM determination**;

**assets held for future use additions** means any change in **assets held for future use** as determined in accordance with clause 3.11 of the **IM determination**;

**assets held for future use charge** means a charge associated with **assets held for future use** that forms part of an **airport activity charge**;

**assets held for future use disposals** means **assets held for future use** that are disposed of. For the avoidance of doubt this excludes **transfers to works under construction**;

**assets held for future use forecast closing cost** means the value of  $q$  calculated using the following formula:

$$q = a + b - c + d + e - f - g$$

where:

*a* = **assets held for future use opening cost**;

*b* = forecast **holding costs**;

*c* = forecast **assets held for future use revenue**;

*d* = forecast **assets held for future use operating cost**;

*e* = forecast **assets held for future use additions**;

*f* = forecast **assets held for future use disposals**;

*g* = forecast **transfer to works under construction**;

**assets held for future use opening cost** means the cost of **assets held for future use** on the first day of the **pricing period** as determined in accordance with clause 3.11(2) of the **IM Determination**;

**assets held for future use operating cost** means a cost incurred by an airport relating to **assets held for future use**;

**assets held for future use revenue** means the revenue derived from, or associated with, **assets held for future use**, and includes an **assets held for future use charge** and is net of tax;

**assets not directly attributable** means the **asset values** that are not **directly attributable** to a **regulated activity** or the **unregulated component**;

**audited disclosure information** means information disclosed pursuant to any of clauses 2.3(1) or 2.4(1) of this determination;

**average charge from airfield activities and specified passenger terminal activities** means the value of *q* calculated using the following formula:

$$q = \frac{a}{b}$$

where:

*a* = the sum of:

- (i) **net operating charges** from **airfield activities** relating to **domestic** flights of 3 tonnes or more but less than 30 tonnes **MCTOW**;
- (ii) **net operating charges** from **airfield activities** relating to **domestic** flights of aircraft 30 tonnes **MCTOW** or more; and
- (iii) **net operating charges** from **specified passenger terminal activities** relating to **domestic passengers**;

or

the sum of:

- (iv) **net operating charges** from **airfield activities** relating to **international** flights; and
- (v) **net operating charges** from **specified passenger terminal activities** relating to **domestic** flights,

as the case may be;

and

$b$  = the sum of:

- (vi) **number of domestic passengers** on flights of 3 tonnes or more but less than 30 tonnes **MCTOW**; and
- (vii) **number of domestic passengers** on flights of aircraft with a **MCTOW** rating of 30 tonnes **MCTOW** or more;

or

- (viii) **total number of international passengers**,

as the case may be;

**average charge from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW** means the value of  $q$  calculated using the following formula:

$$q = \frac{a}{b}$$

where:

$a$  = **net operating charges** from **airfield activities** relating to **domestic** flights of 3 tonnes or more but less than 30 tonnes **MCTOW**;

and

$b$  = number of **domestic passengers** on flights of 3 tonnes or more but less than 30 tonnes **MCTOW**;

or

**total MCTOW** of **domestic** flights of 3 tonnes or more but less than 30 tonnes **MCTOW**,

as the case may be;

**average charge from airfield activities relating to domestic flights 30 tonnes MCTOW or more** means the value of  $q$  calculated using the following formula:

$$q = \frac{a}{b}$$

where:

$a$  = **net operating charges** from **airfield activities** relating to **domestic** flights of 30 tonnes **MCTOW** or more;

and

$b$  = **number of domestic passengers** on flights of 30 tonnes **MCTOW** or more;

or

**total MCTOW of domestic flights of 30 tonnes MCTOW or more,**  
as the case may be;

**average charge from airfield activities relating to international flights** means the value of  $q$  calculated using the following formula:

$$q = \frac{a}{b}$$

where:

$a$  = **net operating charges from airfield activities relating to international flights;**

and

$b$  = **number of international passengers;**

or

**total MCTOW of international flights,**  
as the case may be;

**average charge from specified passenger terminal activities** means the value of  $q$  calculated using the following formula:

$$q = \frac{a}{b}$$

where:

$a$  = **net operating charges from specified passenger terminal activities relating to domestic passengers;**

or

**net operating charges from specified passenger terminal activities relating to international passengers,**  
as the case may be;

and

$b$  = **number of domestic passengers;**

or

**number of international passengers,**  
as the case may be;

**average unit price** means the average price paid for each unit acquired or sold in a transaction between the **airport** and a **related party**;

**Aviation Security Service** means the aviation security service established under s 72B(2)(ca) of the Civil Aviation Act 1990;

## B

**baggage outbound—make-up area floor space** means the overall functional floor space, measured in square metres, of areas occupied by:

- (a) baggage make-up conveyors;
- (b) loops and laterals;
- (c) dolly circulation and staging;
- (d) staff sorting and loading space; and
- (e) hold baggage screening equipment;

**baggage outbound—notional capacity** means the practical capacity of an **airport's outbound** baggage sortation system(s), expressed in bags per hour, based on its configuration, conveyor speeds and continuous (x-ray or similar) inspection capacities where applicable;

**baggage outbound—throughput of bags** means:

- (a) in respect of manual sortation/make-up systems, an estimation of the number of bags being processed by the system during the relevant hour, based on the throughput of **passengers** in that hour and an assumed number of bags per **passenger**; and
- (b) in respect of automated baggage sortation/make-up systems, the actual number of bags processed through the system during the relevant hour;

**baggage reclaim—floor space** means the overall functional floor space, measured in square metres, of areas occupied by:

- (a) baggage reclaim belts;
- (b) waiting areas;
- (c) trolley storage areas;
- (d) baggage service counters; and
- (e) areas occupied by airline staff directly interfacing with **passengers**,

but excluding areas in the baggage room such as the drop-off belt;

**baggage reclaim—notional capacity** means the capacity of baggage reclaim facilities expressed in bags per hour, assessed using accepted industry practice taking account of the numbers, types and sizes of aircraft expected to usually arrive in the **passenger busy hour** applicable to the baggage reclaim **functional component**;

**baggage reclaim—throughput of bags** means an estimation of the number of bags being delivered through the system during the relevant hour, based on the throughput of **passengers** in that hour and an assumed number of bags per **passenger**;

**base value** has the meaning given in clause 3.11(6)(a) of the **IM determination**;

**bio-security screening and inspection and Customs secondary inspection—floor space** means the overall functional floor space, measured in square metres, of areas providing:

- (a) biosecurity screening and inspection for **inbound passengers**, including the areas occupied by booths, benches, screening equipment, and the **MPI** staff operating the screening and inspection areas;

- (b) **Customs** secondary inspection for **inbound passengers**, including the areas occupied by booths, benches, screening equipment, and **Customs** staff operating the screening and inspection areas;
  - (c) queuing zones; and
  - (d) an area up to two metres after the screening equipment or booths and benches on the landside of the screening and inspection points,
- but excluding **MPI** and **Customs** offices and search rooms;

**bio-security screening and inspection and Customs secondary inspection—notional capacity** means throughput capacity expressed in **passengers** per hour based on the number of **MPI** screening stations and advice from **MPI** on the sustainable processing rate;

**business day** has the meaning set out in the **IM determination**;

## C

**capacity growth** means **capital expenditure** incurred predominantly to provide for increased capacity;

**capital expenditure** means:

- (a) subject to paragraph (c), for the purpose of unallocated **works under construction**, costs:
  - (i) incurred in the acquisition or development of an asset during the **disclosure year** that is, or is intended to be, **commissioned**; and
  - (ii) that are included or are intended to be included in the value of assets **commissioned** relating to the **unallocated RAB**;
- (b) subject to paragraph (c), in all other instances, costs:
  - (i) incurred or forecast to be incurred in the acquisition or development of an asset during the **disclosure year** that is, or is intended to be, **commissioned**; and
  - (ii) that are included or are intended to be included in the value of **assets commissioned** relating to the **RAB**;
- (c) costs incurred or forecast to be incurred in the acquisition of an asset as determined in accordance with clause 3.11 of the **IM determination** are deemed to have been incurred or forecast to be incurred in the year in which they are included in the value of **transfer to works under construction**;

**change in asset allocator** means changes in any one of the following from the previous **disclosure year**:

- (a) the list of assets, the value of which has been allocated using an **asset allocator**;
- (b) the type of quantifiable measure used to allocate any asset value; or
- (c) the type of quantifiable measure used to allocate asset values, or the list of assets, included in a particular **asset category**;

**change in cost allocator** means changes in any one of the following from the previous disclosure year:

- (a) the list of **operating costs**, the value of which has been allocated using a **cost allocator**;
- (b) the type of quantifiable measure used to allocate any operating costs; or
- (c) the type of quantifiable measure used to allocate **operating costs**, or the list of **operating costs**, included in a particular **operating cost category**;

**change in forecast asset life** means a change to the **forecast asset life** from the previous disclosure under clause 2.3;

**Comment [RMMB3]:** There is a problem with this definition as there is no disclosure of forecast asset life under clause 2.3. We believe it should be deleted.

**charged services** means a category or group of **specified airport services** in respect of which a standard charge applies;

**check-in—floor space** means the overall floor space, measured in square metres, of areas utilised by **passengers**, and check-in staff when in direct contact with **passengers**, including:

- (a) check in counters;
- (b) kiosks;
- (c) help desks;
- (d) service desks;
- (e) ticketing counters;
- (f) baggage scales
- (g) baggage injector feeds;
- (h) takeaway baggage conveyors;
- (i) bag drop belts;
- (j) queuing zones;
- (k) seating and waiting areas associated with the check-in area; and
- (l) circulation areas directly associated with any of the above functions,

but excludes:

- (m) airline and airport offices, unless used directly by **passengers** as part of normal processing and services; and

retail concession areas and floor curtilage area of one metre in width at entries and/or exits to retail/concessions and adjacent to shop-front window displays for retail/concessions;

**closing base value** means the value of  $q$  calculated using the following formula:

$$q = a + b$$

where:

$a$  = **opening base value**;

$b$  = **forecast assets held for future use revaluations**;

**commencement date** means the date specified in clause 1.2;

**Commission** has the meaning set out in s 2 of the **Act**;

**commissioned** has the meaning set out in the **IM determination**;

**commissioned project** means a project or programme of **capital expenditure** that involves total expenditure of more than \$5 million over the life of the project or programme and that is first **commissioned** in the current **disclosure year**. For the purpose of this definition a programme is a group of projects that together contribute to one output (or a set of broadly overlapping outputs). Each project that the programme comprises must be separately disclosed;

**consumer** has the meaning set out in s 52C of the **Act**;

**corporate overheads** means **operational expenditure** that is incurred predominantly with respect to administration functions, but is not directly incurred in the operation and maintenance of assets necessary for the provision of **specified airport services**, including expenditure on:

- (a) corporate governance and management;
- (b) human resources;
- (c) information technology systems;
- (d) accounting services;
- (e) procurement; and
- (f) legal and risk management;

**corporate tax rate** has the meaning set out in the **IM determination**;

**cost allocator** has the meaning set out in the **IM determination**;

**cost of debt assumption** means the sum of the risk free rate and debt premium estimates as published by the **Commission** in accordance with Part 5 of the **IM determination**;

**cost of financing works under construction** means the cost of finance included in **capital expenditure** in relation to **works under construction**;

**costs not directly attributable** means the value of **operating costs** that are not **directly attributable** costs for each **operating cost category**, determined in accordance with Part 2 of the **IM determination**;

**CPI** has the meaning set out in the **IM determination**;

**CPI reference date** means the date relating to the relevant **CPI** value as in accordance with clause 3.7 of the **IM determination**;

**current year tax losses** means **net taxable income** where the value of **net taxable income** is negative;

**Customs** means the New Zealand Customs Service;

**CY** means current year;

## D

**default cash flow timing assumption** means an assumption under which all expenditure occurs 182 days before the end of the **disclosure year** and all revenue occurs 148 days before the end of the **disclosure year**;

**departure lounges—floor space** means the overall functional floor space, measured in square metres, of areas occupied by:



- (a) departure gate lounges, including seating waiting areas;
- (b) airline boarding control counters; and
- (c) areas occupied by airline staff controlling boarding,

but excluding:

- (d) retail and concession areas and floor curtilage area one metre in width at entries and/or exits to retail/concessions and adjacent to shop-front window displays for retail/concessions; and
- (e) airport lounges, pay-per-use lounges and facilities such as showers;

**departure lounges—number of seats** means the number of **passengers** that could reasonably be seated on the seating facilities provided for **passenger** use within the departure lounges floor space;

**depreciation** means:

- (a) in respect of **airport business—GAAP** or **airport company** financial results, depreciation as determined in accordance with **GAAP**; and
- (b) in respect of **airport business, regulatory depreciation**;

**depreciation methodology** means either:

- (a) **standard depreciation** methodology; or
- (b) **non-standard depreciation methodology**;

**description of land** means the parcels of land identified in a valuation report prepared for the purposes of clause 3.7 of the **IM determination**;

**description of regulatory / GAAP adjustment** means a brief description of the different approach used in preparing the **airport** performance compared to preparing **GAAP** compliant financial statements;

**description of transaction** means a brief description of the transaction with a **related party**, including the goods or services provided to or by the **related party** as part of that transaction;

**directly attributable** has the meaning given to that term in Part 2 of the **IM determination**;

**Director** means a person occupying the position of director of a company by whatever name called;

**disclosure year** means the 12 month period ending on, in the case of—

- (a) Wellington International Airport Limited, 31 March, and
- (b) all other **airport companies**, 30 June;

**domestic** means aircraft operations between **airports** within New Zealand;

## E

**effect of change** means the difference between the value allocated to the **airport** using the **original allocator or components** and the value allocated to the **airport** using the **new allocator or components**;

**entity name** means the legal name of a **related party**;

**excluded intangible assets** means, in respect of assets as at the year ended 2009, an intangible asset that is excluded in accordance with clause 3.1(b) of the **IM determination**;

**excluded services** has the meaning given in the **IM Determination**;

## F

**forecast asset base** means the forecast asset base for **regulated activities** rolled forward by an **airport**;

**forecast assets held for future use revaluations** means the forecast revaluations for **assets held for future use** used by an **airport** incorporating the values, if any, used for the purposes of consultation undertaken as part of a **price setting event** for each **disclosure year** of the **pricing period**;

**forecast asset life** has the meaning of 'asset life' given in clause 3.6 of the **IM Determination**;

**forecast closing asset base** means the **forecast asset base** as at the last day of the relevant **pricing period**;

**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**;

**forecast closing investment value** means the value of  $q$  calculated using the following formula:

$$q = a - b$$

where:

$a$  = **forecast closing asset base**; and

$b$  = **forecast closing carry forward adjustment**;

**forecast cost of capital** means the cost of capital determined by an **airport** when determining the **forecast total revenue requirement** incorporating the values used for the purposes of consultation undertaken as part of a **price setting event**;

**forecast depreciation** means the forecast depreciation used by an **airport** in determining the **forecast total revenue requirement** incorporating the values used for the purposes of consultation undertaken as part of a **price setting event**;

**forecast for current disclosure year** means the most recent disclosure of forecast **capital expenditure** and **forecast operational expenditure** pertaining to the current **disclosure year** made in accordance with clause 2.5;

**forecast for period to date** means the most recent disclosure of the accumulated forecast **capital expenditure** and **forecast operational expenditure** pertaining to the years from the beginning of the **pricing period** to the current **disclosure year** made in accordance with clause 2.5;

**forecast net cash flows** means the value of  $q$  calculated using the following formula:

$$q = a - b + c - d - e$$

**Comment [RMMB4]:** Edits here are to accommodate the fact that assets held for future use may not be part of the pricing consultation. See cover submission for more detail.

**Comment [RMMB5]:** We believe this should be a + only between  $b$  and  $c$ .

where:

*a* = forecast total revenue requirement;

*b* = forecast assets commissioned;

*c* = forecast asset disposals;

*d* = forecast operational expenditure; and

*e* = forecast unlevered tax;

**forecast operational expenditure** means the forecast operational expenditure used by an **airport** in determining the **forecast total revenue requirement** incorporating the values used for the purposes of consultation undertaken as part of a **price setting event**;

**forecast other ~~income~~ operating revenue** means the forecast other income used by an **airport** in determining the **forecast total revenue requirement** incorporating the values used for the purposes of consultation undertaken as part of a **price setting event**;

**Comment [RMMB6]:** NZ Airports previously recommended changing this to "operating revenue" to achieve consistency with disclosure templates. It is unclear why the Commission has not made this correction.

**forecast post-tax IRR** means the forecast post-tax internal rate of return disclosed in the Report on the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 and the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19 for a **pricing period**, which is calculated based on the **opening investment value**, the **forecast closing investment value** and **forecast net cash flows**;

**forecast pricing CPI** means the CPI value used by an **airport** in setting prices as part of a **price setting event**;

**forecast revaluations** means the forecast revaluations used by an **airport** in determining the **forecast total revenue requirement** incorporating the values used for the purposes of consultation undertaken as part of a **price setting event**;

**forecast revenue for services applicable to the price setting event** means the revenue an **airport** is expecting to earn from **charged services** consulted on as part of the **price setting event** for that **disclosure year**;

**forecast unlevered tax** means forecast tax on an unlevered basis used by an **airport** in determining the **forecast total revenue requirement** incorporating the values used for the purposes of consultation undertaken as part of a **price setting event**;

**forecast total revenue requirement** means the revenue an **airport** has forecast to require for all **specified airport services** supplied by the **airport** for that **disclosure year** excluding **forecast assets held for future use revenue**;

**full-time equivalent employees** means the average number of **airport** employees that are employed during a **disclosure year** in the provision of **specified airport services**;

**functional components** means:

in respect of an **airport**:

- (a) airfield;
- (b) apron; and
- (c) the functional components of the passenger terminal, and

in respect of a passenger terminal:

- (d) landside circulation outbound;
- (e) check-in;
- (f) passport control outbound;
- (g) security screening;
- (h) airside circulation outbound;
- (i) departure lounges;
- (j) airside circulation inbound;
- (k) passport control inbound;
- (l) landside circulation inbound;
- (m) baggage reclaim;
- (n) bio-security screening and inspection and **Customs** secondary inspection;
- (o) arrivals concourse;
- (p) outbound baggage sortation system; and
- (q) total terminal functional areas providing passenger facilities and services;

## G

**GAAP** means generally accepted accounting practice in New Zealand;

**gains / (losses) on asset sales** means, in respect of:

- (a) **assets disposed of to a related party**, zero;
- (b) **assets disposed of to a regulated supplier**, zero;
- (c) **asset disposals (other)**, the values determined in accordance with:

sale price of an asset - **assets disposals (other)**

where each component has the value as allocated to **regulated activities** in accordance with Part 2 of the **IM determination**; and

- (d) the **calculation of regulatory profit / (loss)**, means the unallocated **gains / (losses) on asset sales** which are allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**GST** means any tax required to be paid by an **airport** in accordance with the Goods and Services Tax Act 1985, as amended from time to time, and any equivalent preceding legislation, or any subsequent legislation that supplements or replaces that Act;

## H

**highest rate of finance applied** means the highest rate of finance used to determine the **cost of financing works under construction**;

**holding costs** has the meaning set out in clause 3.11(6)(b) of the **IM determination**, where references to 'excluded asset' should be read as references to **assets held for future use**;

**human resource costs** means the remuneration, including the value of benefits, that is payable to employees;

## I

**IM determination** means the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010;

**inbound** means an aircraft or a **passenger** onboard an aircraft arriving at an **airport**;

**independent auditor** means a person who:

- (a) is qualified for appointment as auditor of a company under the Companies Act 1993 or, where the **airport** is a public entity (as defined in s 4 of the Public Audit Act 2001), is the Auditor-General;
- (b) has no relationship with, or interest in, the **airport** that is likely to involve a conflict of interest;
- (c) has not assisted with the compilation of the information or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in compiling the information; and
- (d) is not associated with nor directed by any person who has provided any such assistance, advice, or opinion;

**indexed revaluation** means:

- (a) in relation to the **unallocated RAB**, the values determined in accordance with clause 3.7(1) of the **IM determination**; and
- (b) in relation to the **RAB**, the values determined in accordance with clause 3.7(2) of the **IM determination**;

**indexed revaluation rate** has the meaning set out in clause 3.7(7)(a) of the **IM Determination**;

**initial base value** has the meaning given in clause 3.11(6)(a) of the **IM determination**, but does not include "the sum of tracking revaluations in respect of all prior disclosure years" as set out in that clause;

**initial disclosure year** means the **disclosure year** ending in 2011;

**initial RAB** has the meaning set out in [clause 3.1](#) of the **IM determination**;

**Comment [RMMB7]:** Clarification of definition.

**initial RAB value** has the meaning set out in the **IM determination**;

**international** means aircraft operations at an **airport** that began outside New Zealand, or began in New Zealand and [are](#) to continue outside New Zealand;

**interruption** means, in relation to any **specified airport service** provided by an **airport**, the withdrawal by the **airport** of that service for 15 minutes or longer, at a time when the service was required by a **scheduled** aircraft (or to process the **passengers** on a **scheduled** aircraft), but does not include:

- (a) **planned withdrawals**; or
- (b) the withdrawal of runway services necessitated by weather conditions; or
- (c) withdrawals of any services operated and managed by a third party and that are not being provided on behalf of, or under contract with, the **airport**;

**interruption to baggage reclaim belts** means an **interruption** to the baggage reclaim unit, where no equivalent alternative service is provided;

**interruption to baggage sortation system on departures** means an **interruption** to the baggage sortation system for departing bags such that the sortation system is materially unworkable, irrespective of where the breakdown occurs within the system;

**interruption to contact stands** means an **interruption** to a contact stand/airbridge, where no equivalent alternative service is provided;

**interruption to fixed electrical ground power (FEGP) units** means the percentage of time that all fixed electrical ground power service is unavailable during a **disclosure year** due to **interruptions**, calculated as the sum of the duration of each **interruption** during the **disclosure year** divided by the sum of the planned durations of FEGP supply to each aircraft during the **disclosure year**;

**interruption to remote stands and means of embarkation/disembarkation** means an **interruption** to a remote stand with concomitant bussing operations, or a remote stand where **passengers** walk to or from the terminal, and where no equivalent or better service is provided;

**interruption to runway services** means an **interruption** to a runway such that it is unusable by a **scheduled** aircraft and where no reasonable alternative service is provided;

**interruption to taxiway services** means an **interruption** to a taxiway such that a **scheduled** aircraft cannot land or depart and where no reasonable alternative service is provided;

**justification for change in depreciation methodology** means an explanation which provides sufficient detail so that interested persons can assess how the introduction of, or change to the application of, a **non-standard depreciation methodology** meets the purpose of Part 4 of the **Act**;

## K

**key capital expenditure project** means a current or future project or programme of **capital expenditure** that involves total expenditure of more than \$5 million over the life of the project or programme. For the avoidance of doubt, any amount of forecast capital expenditure that is planned to be incurred in a **disclosure year**, must be disclosed in the **disclosure year** it is incurred. For the purpose of this definition, a programme is a group of projects that together contribute to one output (or a set of broadly overlapping outputs). In making disclosures regarding programmes, **airports** must provide details of each individual project that the programme comprises;

## L

**landside circulation inbound—floor space** means 50% of the overall functional floor space, measured in square metres, of areas providing general circulation to provide common access for both **inbound** and **outbound passengers** to and from check-in, security and landside retail/concessions, but excluding retail and concession areas and floor curtilage area of one metre in width at entries and/or exits to retail/concessions and adjacent to shop-front window displays for retail/concessions;

**landside circulation outbound—floor space** means the overall functional floor space, measured in square metres, of areas providing general circulation to provide

segregated access for outbound passengers to and from check-in, security and landside retail/concessions, and 50% of the overall functional floor space, measured in square metres, of areas providing general circulation to provide common access for inbound and outbound passengers to and from check-in, security and landside retail/concessions, but excluding retail and concession areas and floor curtilage area of one metre in width at entries and/or exits to retail/concessions and adjacent to shop-front window displays for retail/concessions;

**lease, rental and concession income** means any income received from leases, rentals or concessions;

**line item** means the list of all **assets values** or **operating costs** included within the **asset category** or **operating cost category** for which the same **asset allocator** or **cost allocator** is used to allocate their **asset values** or **operating costs** between **airport activities**;

**lost and found assets adjustment** means:

- (a) in relation to the **unallocated RAB**, the value of found assets as determined in accordance with the **IM determination**, less the value of **lost assets**. The value of a **lost asset** is its unallocated opening **RAB** value less its **regulatory depreciation**;
- (b) in relation to the **RAB**, the value of the asset (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**lost asset** has the meaning set out in the **IM Determination**;

**lost asset adjustment** means:

- (a) in relation to the **unallocated RAB**, the unallocated opening **RAB** value of **lost assets**;
- (b) in relation to the **RAB**, the value of the asset (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

## **M**

**market value of asset disposals to related parties** means the value of assets disposed of to a related party as determined by a valuer. The valuer must meet the definition of valuer as defined in the **IM Determination**;

**MCTOW** means maximum certificated take-off weight measured in tonnes as contained in the aircraft's Certificate of Registration;

**merger and acquisition expenses** means expenditure related to merger and acquisition activities irrespective of the outcome of the merger or acquisition, but proportionate to the extent the benefits of the merger or acquisition would relate to the **airport**;

**month** means calendar month;

**MPI** means Ministry for Primary Industries;

## N

**net income** means the revenue of the **airport**, including **gains and/or losses on assets sales** and other income. For the avoidance of doubt, the net income for the **airport business** is the **total regulatory income**;

**net operating charges from airfield activities** means the total, in relation to **airfield activities**, of **airport activity charges**, **other operating revenue** and **lease, rental and concession income** where the **lease, rental or concession income** is paid by an air transport operator and is essential for that (or other) air transport operator to be able to operate air transport services relating to:

- (a) **domestic** flights 3 tonnes or more but less than 30 tonnes **MCTOW**;
- (b) **domestic** flights of 30 tonnes **MCTOW** or more; or
- (c) **international** flights,

as the case may be, but does not include **assets held for future use revenue**;

**net operating charges from specified passenger terminal activities** means the total, in relation to **specified passenger terminal activities**, of **airport activity charges**, **other operating revenue** and **lease, rental and concession income** where the **lease, rental or concession income** is one which is paid by an air transport operator and is essential for that (or other) air transport operator to be able to operate air transport services relating to:

- (a) **domestic passengers**;
- (b) **international passengers**,

as the case may be, but does not include **assets held for future use revenue**;

**net operating revenue** means

- (a) in all instances other than **related party** transactions, the total of **airport activity charges**, **other operating revenue**, and **lease rental and concession income**;
- (b) in relation to **related party** transactions, net operating revenue (as determined in accordance with paragraph (a)) from **related parties** but does not include **assets held for future use revenue**;

**net revenue** has the meaning set out in clause 3.11(6)(c) of the **IM Determination**;

**net taxable income** means:

- (a) if **regulatory taxable income / (loss)** is positive, **regulatory taxable income / (loss)** less **tax losses used**; or
- (b) if **regulatory taxable income / (loss)** is negative, nil;

**new allocator or components** means:

- (a) if a change in the **allocator type** or cost **allocator** used, the **asset allocator** or **cost allocator** used; or
- (b) if a change in **line item**, the **line item** included in the **asset allocator** or **cost allocator** used;

**non taxable** means not included in 'income subject to tax' for income tax purposes in accordance with the Income Tax Act 2007 as amended from time to time, and any



equivalent preceding legislation, or any subsequent legislation that supplements or replaces that Act;

**non-current assets – year ended 2009** means the value of the **2009 disclosed assets**, where the value of:

- (a) non-land assets are determined in accordance with clause 3.2(1)(a) of the **IM determination**; and
- (b) land is the value of the assets disclosed in the **2009 disclosure financial statements**;

**non-indexed revaluations**:

- (a) in relation to the **unallocated RAB**, has the meaning set out in clause 3.7(1) of the **IM Determination**, applying the revaluation rate specified in clause 3.7(7)(b) of the **IM Determination**; and
- (b) in relation to the **RAB**, has the meaning set out in clause 3.7(2) of the **IM Determination**, applying the revaluation rate specified in clause 3.7(7)(b) of the **IM Determination**;

Comment [RMMB8]: Bold: defined term

**non-indexed revaluation rate** has the meaning set out in clause 3.7(7)(b) of the **IM Determination**;

**non-standard depreciation** means:

- (a) in relation to the **unallocated RAB**, the value of **regulatory depreciation** relating to non-standard assets determined in accordance with Part 3 of the **IM determination**;
- (b) in relation to the **RAB**, the value of **regulatory depreciation** (as determined in accordance with paragraph (a)) which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**non-standard depreciation disclosure** means information about the introduction of or change to **non-standard depreciation methodology**. This includes a **summary of change**; a **justification for change in depreciation methodology**; and the extent of customer disagreement and supplier response;

**non-standard depreciation methodology** means a methodology used to determine depreciation that differs from the methodology used to determine **standard depreciation**;

**notional deductible interest** has the meaning given to that term in clause 4.1(4) of the **IM determination**;

**notional interest tax shield** means the product of **notional deductible interest** and the **corporate tax rate** applicable to the current **disclosure year**;

**number of domestic passengers** means the sum of:

- (a) the number of **inbound domestic passengers**; and
- (b) the number of **outbound domestic passengers**,

on:

- (c) flights of 3 tonnes or more but less than 30 tonnes **MCTOW**; or
- (d) flights of 30 tonnes **MCTOW** or more,

as the case may be;

**number of international passengers** means the sum of:

- (a) the number of **inbound international passengers**; and
- (b) the number of **outbound international passengers**,

less the estimated number of **international transit and transfer passengers**;

## O

**offsetting revenue** means

- (a) in relation to the **unallocated RAB**, revenue derived in relation to works under construction as described in clause 3.9(5)(a) of the **IM Determination**;
- (b) in relation to the **RAB**, the value of revenue (as determined in accordance with paragraph (a)) allocated to the regulated business using the same allocation that the value of the asset to which the revenue relates is allocated to the regulated business in accordance with Part 2 of the **IM determination**;

**Comment [RMMB9]:** Bold: defined term.

**on time departure delay** means that the **terminal departure time** of a **scheduled service** has been delayed by more than 15 minutes primarily as a result of **interruptions** to one or more **specified airport services**;

**opening base value** means:

- (a) for the first **disclosure year** of a **pricing period**,

$$q = a + b$$

where:

$a$  = **initial base value**;

$b$  = **opening tracking revaluations**;

- (b) for subsequent **disclosure years** of a **pricing period**, the **closing base value** for the previous **disclosure year**;

**opening carry forward adjustment** means the sum of:

- (a) a **forecast closing carry forward adjustment** from the previous **pricing period**;
- (b) an **default opening carry forward unforecast revaluation adjustment gain/loss**;
- (c) a **risk allocation adjustment**; and
- (d) other carry forward adjustments that are intended to reflect the remaining capital to be recovered as at the start of the **pricing period**;

**Comment [RMMB10]:** Change to definition of unforecast revaluations to more directly represent what we understand to be the Commission's intention. See cover submission for further details.

**opening investment value** means the value of  $q$  calculated using the following formula:

$$q = a - b$$

where:

$a$  = **opening RAB**; and

$b$  = opening carry forward adjustment;

**opening RAB** means the airport's estimate of the RAB value disclosed in the for the most recent disclosure year immediately preceding a price setting event made in accordance with clause 2.3 preceding a price setting event;

**opening tracking revaluations** means **tracking revaluations** as at the first day of the pricing period;

**operating cost category** means one of the categories in the following list which comprises, for the purpose of a proposal, a classification of the types of **operating costs** that **airports** make when providing **airport activities** to **consumers** and **operating cost categories** means all of the following categories:

- (a) **corporate overheads;**
- (b) **asset management and airport operations;** and
- (c) **asset maintenance;**

**operating cost** has the meaning set out in the **IM determination**, and excludes costs incurred in providing **excluded services**;

**operating surplus / (deficit)** means **total regulatory income** less **operational expenditure**;

**operating surplus / (deficit) before interest depreciation, revaluations and tax** means **net income** less **operational expenditure**. For the avoidance of doubt, the **operating surplus / (deficit) before interest depreciation, revaluations and tax** for the **airport business** is the **operating surplus / (deficit)**;

**operational expenditure** means:

- (a) in all instances other than **related party** transactions, **operating costs** after applying Part 2 of the **IM determination**;
- (b) in relation to **related party** transactions, operational expenditure (as determined in accordance with paragraph (a)) transacted with **related parties**;

**operational improvement processes** means processes implemented by the **airport** whereby airlines and **airports** meet regularly to:

- (a) identify any measures available either to:
  - (i) reduce the likelihood of service losses which have caused loss of material services or on time departure delays from reoccurring; or
  - (ii) better manage such losses of service or on time departure delays so as to reduce the impact; and
- (b) review quarterly passenger satisfaction surveys to identify where remedial action is required by the **airport**, airline or border agencies;

**operational surplus / (deficit) before interest** means the value of  $q$  calculated using the following formula:

$$q = a - b - c - d$$

where:

*a* = **operational surplus / (deficit) before interest, depreciation, revaluations and tax;**

*b* = **depreciation;**

*c* = **total revaluations;** and

*d* = **tax expense;**

For the avoidance of doubt, operational surplus / (deficit) before interest for the airport business is **regulatory profit / (loss);**

**original allocator or components** means:

- (a) in respect of a change in the **cost allocator** or **allocator type** used, the **cost allocator** or **asset allocator** used directly prior to the change in allocator; or
- (b) in respect of a change in **line item**, the **line item** included in the **cost allocator** or **asset allocator** directly prior to the change in components;

**other adjustments to the RAB tax value** means any adjustment to the **RAB (tax value)** made in accordance with Part 4 of the **IM determination** other than:

- (a) **regulatory tax asset value of additions;**
- (b) **regulatory tax asset value of disposals;**
- (c) **regulatory tax asset value of assets transferred from / (to) unregulated asset base;** and
- (d) **tax depreciation;**

**other assets commissioned** means **assets commissioned** that have not been separately disclosed as **commissioned projects;**

**other capital expenditure** means aggregate **capital expenditure** for the **disclosure year** that has not been separately disclosed as **key capital expenditure projects;**

**other excluded assets** means assets as at the year ended 2009 that are excluded from the **initial RAB** in accordance with clause 3.1(1)(a) of the **IM determination** and which are not **assets held for future use;**

**other factors** means the value of any factor used to determine the **forecast total revenue requirement** as required by clause 2.5(1) other than:

- (a) **forecast asset base;**
- (b) **forecast operational expenditure;**
- (c) **forecast depreciation;**
- (d) **forecast unlevered tax;**
- (e) **forecast revaluations;** and
- (f) **forecast other income;**

**other incentives** means the value of any arrangements where an **airport** agrees with a customer to provide goods or services, whether to the customer or a third party, in consideration for the customer taking **specified airport services**. For the avoidance of doubt other incentives excludes **pricing incentives;**

**other income** means any income received from the provision of **specified airport services** that is not captured by **total operating revenue** or **gains / (losses) on asset sales;**

**other operating revenue** means revenue earned by an **airport business** in relation to specific charges relating to a **regulated activity**, which has not been separately disclosed as an **airport activity charge** or **lease, rental and concession income**. Other operating revenue must not exceed 10% of **net operating revenue**;

**other permanent differences—non deductible** means the non deductible non-reversing differences between **regulatory profit / (loss) before tax** and **regulatory taxable income / (loss)** calculated for income tax purposes in respect of the **airport**;

**other permanent differences—non taxable** means the **non taxable** non-reversing differences between **regulatory profit / (loss) before tax** and **regulatory taxable income / (loss)** calculated for income tax purposes in respect of the **airport**;

**other related party transactions** means the value of any **related party** transactions that are not disclosed as:

- (a) **related party net operating revenue, operational expenditure or capital expenditure**; or
- (b) the value of transactions that are included in the **market value of asset disposals to related parties**;

**other temporary adjustments—current period** means adjustments for temporary differences, as determined in accordance with **GAAP** which arise in respect of the current **disclosure year**, excluding **depreciation**;

**other temporary adjustments—prior period** means adjustments for temporary differences, as determined in accordance with **GAAP**, which arise from previous **disclosure years**, including **depreciation**;

**outbound** means an aircraft or a **passenger** onboard an aircraft departing from an **airport**;

## P

**passenger** means a person transported by an operator of an **air passenger service**, including airline staff on duty travel and passengering crew, excluding crew operating the service and excluding persons that do not pass through the passenger terminal while disembarking or embarking;

**passenger aircraft landing charge** means any price charged to an operator of a passenger aircraft by an **airport** for landing that aircraft at that **airport**;

**passenger busy hour**, in respect of a functional component of a passenger terminal, means the clock hour with the 30th highest ranked number of **passengers** in the **disclosure year** for that **airport** in the **passenger category** that best reflects the **passenger** usage of the functional component and whose **terminal arrival time** or **terminal departure time** fell within the clock hour. For the avoidance of doubt, although the passenger busy hours must be calculated without reference to the number of transit and transfer **passengers** onboard, disclosed figures for **passenger throughput** at functional components of the terminal during the busy hour will be adjusted where relevant for the estimated number of transit and transfer **passengers** arriving or departing during the busy hour;

**passenger category** means one of the following:

- (a) **passengers on outbound international** aircraft;
- (b) **passengers on inbound international** aircraft;
- (c) **passengers on outbound domestic** aircraft;
- (d) **passengers on outbound domestic** aircraft that require security screening of **passengers**;
- (e) **passengers on inbound domestic** aircraft;
- (f) **passengers on outbound** aircraft (applies only to **airports** with a functional component that is used as a combined facility by **passengers on international and domestic outbound** aircraft); or
- (g) **passengers on inbound** aircraft (applies only to **airports** with a functional component that is used as a combined facility by **passengers on international and domestic inbound** aircraft);

**passenger survey** means a passenger survey carried out under clause 2.4(2);

**passenger throughput**, in respect of a functional component of a passenger terminal, means the estimated number of **passengers** passing through the functional component during the relevant busy hour; and is equal to the number of **passengers** in the **passenger category** that best reflects the **passenger** usage of the functional component during the **passenger busy hour** for that functional component, and (if **transit and transfer passengers** normally bypass the functional component or if the functional component is used to process only **transit and transfer passengers**) adjusted using an estimate of the number of **transit and transfer passengers** contained in the **passenger category**;

**passport control (inbound)—floor space** means the overall functional floor space, measured in square metres, of areas providing passport control for inbound passengers, including the areas occupied by booths and kiosks, and the **Customs** staff operating the control point screening, queuing zones and an area up to two metres after the booths and kiosks on the airside of the control point, but excludes **Customs** and Immigration offices;

**passport control (outbound)—floor space** means the overall functional floor space, measured in square metres, of areas providing passport control for outbound passengers, including the areas occupied by booths and kiosks, and the **Customs** staff operating the control point screening, queuing zones and an area up to two metres after the booths and kiosks on the airside of the control point, but excluding **Customs** and Immigration offices;

**passport control inbound—notional capacity** means the throughput capacity expressed in passengers per hour based on the number of **Customs** booths and automated border processing system kiosks and **Customs** advice regarding the sustainable processing rates for **Customs** booth and kiosk processing, unless a separate agreement has been reached between the **airport** and **Customs**, in which case the agreed maximum rate applies;

**passport control outbound—notional capacity** means the throughput capacity expressed in passengers per hour, based on the number of **Customs** booths and automated border processing system kiosks and **Customs** advice regarding the sustainable processing rates for **Customs** booth and kiosk processing, unless a separate

agreement has been reached between the **airport** and **Customs**, in which case the agreed maximum rate applies;

**periodic land revaluation** means the value of  $q$  calculated using the following formula:

$$q = a - b$$

where:

$a$  = the value of a revaluation resulting from the application of Schedule A of the **IM Determination**; and

$b$  = **indexed revaluation** for the year in which the revaluation resulting from the application of Schedule A of the **IM Determination** occurs;

**planned withdrawal** means in relation to a **specified airport service** a withdrawal of that service of which the airlines affected by the withdrawal had 24 hours or more notice;

**post-tax WACC** has the meaning set out in the **IM determination**;

**post-tax WACC at price setting event** has the meaning set out in the **IM Determination**;

**previous year** means the **disclosure year** immediately prior to the current **disclosure year**, and **previous years** has an associated meaning;

**price setting event** has the meaning set out in the **IM Determination**;

**pricing asset base** means the asset base used by an **airport** to set prices at a **price setting event**;

**pricing incentives** means the value of incentives provided to customers by an **airport** that have the effect of lowering the price paid for **specified airport services** including discounts, rebates, credits, route incentives or reimbursements;

**pricing methodology** means the methodology or methodologies used by an **airport** to set **standard prices**, including all material assumptions, pricing principles, models, estimates, calculations and processes used as part of a **price setting event**;

**pricing period** means:

- (a) the **disclosure years** between two consecutive **price setting events**, inclusive of the years in which the **price setting events** occur; or
- (b) where a **price setting event** is not followed by another **price setting event**, a period of 5 consecutive years starting with a **pricing period starting year**;

**pricing period starting year** means the first **disclosure year** of a **pricing period**;

**property plant and equipment (excluding works under construction)** means:

- (a) in respect of an **airport**, the **RAB value**;
- (b) in respect of **airport business—GAAP**, the **RAB value** determined in accordance with **GAAP** but excluding **works under construction**; and
- (c) for **airport company—GAAP**, the value of property plant and equipment of the **airport company** determined in accordance with **GAAP**, but excluding **works under construction**;

**proportion of year available** means the percentage of the **disclosure year** the **commissioned project** had been **commissioned**;

**proportionate regulatory value** means the **assets commissioned-RAB value** multiplied by the **proportion of year available**;

**proposed risk allocation adjustment** means an intention by an **airport** as part of a **price setting event** to adjust the **opening investment value** in a subsequent **price setting event** for a difference between:

- (a) any component in the Report on the Forecast Total Asset Base Revenue Requirements set out in Schedule 18, or the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19, or the Report on Demand Forecasts set out in Schedule 20; and
- (b) the equivalent component disclosed in accordance with clause 2.3.

**publicly disclose**, in relation to any information, means to:

- (a) disclose the information to the public on the Internet at the **airport's** usual publicly accessible website;
- (b) make copies of the information available for inspection by any person during ordinary office hours, at the principal office of the **airport** making the public disclosure;
- (c) give notice in the *Gazette* of:
  - (i) that disclosure; and
  - (ii) the uniform resource locator of the Internet site where the information disclosed can be found; and
  - (iii) where hard copies of the information disclosed may be inspected or obtained; and
- (d) within 10 **working days** of being requested to do so by any person, provide that person with a copy of the information, either by post or for collection (during ordinary office hours) from that principal office, whichever the person prefers; and
- (e) within 5 **working days** after the information is disclosed to the public, provide a copy of the information to the **Commission** in the form that it is disclosed to the public and in an electronic format that is compatible with Microsoft Excel or Microsoft Word (as the case may be),

and **public disclosure** and **publicly disclosing** have corresponding meanings;

## R

**RAB** means regulatory asset base;

**RAB (tax value)** means the value of  $q$  calculated using the following formula:

$$q = a + b - c \pm d - e \pm f$$

where:

$a$  = **RAB (tax value)** for the **previous disclosure year**;

$b$  = **regulatory tax asset value of additions**;



$c$  = **regulatory tax asset value of disposals;**

$d$  = **regulatory tax asset value of assets transferred from / (to) unregulated asset base;**

$e$  = **tax depreciation;** and

$f$  = **other adjustments to the RAB tax value,**

in the **initial disclosure year** the **RAB (tax value)** for the previous **disclosure year** will be the tax value of assets included in the RAB as at the beginning of the **initial disclosure year**, to the extent the asset is allocated to the RAB under Part 2 of the **IM determination**;

**RAB investment** means the value of  $q$  calculated using the following formula:

$$q = a + b + c - d$$

where:

$a$  = **commissioned projects;**

$b$  = **other assets commissioned;**

$c$  = **adjustment for merger, acquisition or sale activity;**

$d$  = **asset disposals;**

**RAB proportionate investment** means the value of  $q$  calculated using the following formula:

$$q = a + b + c - d$$

where:

$a$  = the sum of the **proportionate regulatory value of commissioned projects;**

$b$  = the **proportionate regulatory value of other assets commissioned;**

$c$  = the **proportionate regulatory value of adjustments for merger, acquisitions or sale activity;** and

$d$  = the **proportionate regulatory value of asset disposals;**

**RAB value** means:

(a) in relation to the **unallocated RAB**, the value of  $q$  calculated using the following formula:

$$q = a + b + c - d - e + f + g$$

where:

$a$  = **RAB value** for the previous **disclosure year;**

$b$  = **asset commissioned;**

$c$  = **revaluations;**

$d$  = **regulatory depreciation;**

$e$  = **asset disposals;**

$f$  = **lost and found assets adjustments**

$g$  = **cost allocation adjustments**

;

- (b) in relation to the **RAB**, the **unallocated RAB value** which is allocated to the **regulated activity** in accordance with Part 2 of the **IM determination**;

**rates and levy costs** means:

- (a) rates on assets used in the provision of **specified airport services** paid or payable by an **airport** to a territorial local authority under the:
- (i) Ratings Powers Act 1988; or
  - (ii) Local Government (Rating) Act 2002; and
- (b) levies payable under s 53ZE of the **Act**;

**rationale** means a description of the criteria applied and/or the fundamental reasons used for selecting and/or determining each **asset allocator** and associated asset **allocator** and for selecting and/or determining each **cost allocator** and associated cost **allocator** as determined in accordance with Part 2 of the **IM determination**;

**record** has the meaning set out in s 4 of the Public Records Act 2005;

**regulated activity** has the meaning set out in the **IM determination**;

**regulated supplier** has the meaning set out in the **IM determination**;

**regulatory / GAAP adjustments** means the difference between the financial performance of the **airport business** and the **airport business—GAAP**;

**regulatory depreciation** means:

- (a) in relation to the **unallocated RAB**, unallocated depreciation as determined in accordance with Part 3 of the **IM determination**;
- (b) in relation to the **RAB**, depreciation as determined in accordance with Part 3 of the **IM determination**;

**regulatory investment value** or **RIV** means the sum of the **RAB value** for the previous **disclosure year** and the **RAB proportionate investment**;

**regulatory profit / (loss)** means the **regulatory profit / (loss) before tax** less the **regulatory tax allowance**;

**regulatory profit / (loss) before tax** means the value of  $q$  calculated using the following formula:

$$q = a - b + c$$

where:

$a$  = **operating surplus / (deficit)**;

$b$  = **regulatory depreciation**; and

$c$  = **revaluations**;

**regulatory tax allowance** means the product of the **corporate tax rate** and **net taxable income**, where **net taxable income** is greater than zero;

**regulatory tax asset value of additions** means the sum of the regulatory tax asset values of asset additions as determined in accordance with clause 4.2 of the **IM determination**;

**regulatory tax asset value of disposals** means the sum of the regulatory tax asset values of asset disposals immediately prior to the disposal as determined in accordance with clause 4.2 of the **IM determination**;

**regulatory tax asset value of assets transferred from/(to) unregulated asset base** means the sum of the regulatory tax asset values of assets transferred from/(to) the unregulated asset base immediately prior to the transfer as determined in accordance with clause 4.2 of the **IM determination**, where:

- (a) a transfer to the **airport business** is positive; and
- (b) a transfer from the **airport business** is negative;

**regulatory taxable income / (loss)** means the value of  $q$  calculated using the following formula:

$$q = a + b + c + d - e - f - g - h - i$$

where:

- $a$  = **regulatory profit / (loss) before tax**;
- $b$  = **regulatory depreciation**;
- $c$  = **other permanent differences—not deductible**;
- $d$  = **other temporary adjustments—current period**;
- $e$  = **revaluations**;
- $f$  = **tax depreciation**;
- $g$  = **notional deductible interest**;
- $h$  = **other permanent differences—non taxable**; and
- $i$  = **other temporary adjustments—prior period**;

**related party** has the meaning set out in the **IM determination**;

**related party relationship** means a brief description of the relationship between a related party and an **airport**;

**revaluation**:

- (a) in relation to the **unallocated RAB** has the same meaning as ‘unallocated revaluation’ as set out in the **IM determination**.
- (b) in relation to the **RAB** and the calculation of **regulatory profit / (loss)** has the same meaning as ‘revaluation’ as set out in the **IM determination**;

**revalued land** means:

- (a) in relation to the **unallocated RAB**, the sum of **unallocated RAB** values from the preceding **disclosure year** of land that has been revalued in

accordance with clause 3.7(2) of the **IM Determination** in this **disclosure year**;

- (b) in relation to the **RAB**, the sum of **RAB** values from the previous **disclosure year** of land that has been revalued in accordance with clause 3.7(4) of the **IM Determination** in this **disclosure year**;

**revenue requirement not applicable to price setting event** means **forecast total revenue requirement** that is forecast to be earned through **specified airport services** other than those **charged services** to which the **price setting event** relates;

**risk allocation adjustment** means an adjustment to the **opening investment value** made by an **airport** to reflect a **proposed risk allocation adjustment** from a previous **pricing period**;

**ROI—comparable to a post-tax WACC** means the value of  $q$  calculated using the following formula:

$$q = \frac{a}{b} \times 100$$

where:

$a$  = **adjusted regulatory profit**; and

$b$  = **regulatory investment value**;

**ROI—comparable to a vanilla WACC** means the value of  $q$  calculated using the following formula:

$$q = \frac{a}{b} \times 100$$

where:

$a$  = **regulatory profit / (loss)**; and

$b$  = **regulatory investment value**;

**runway arrival time** means the time recorded by air traffic controllers when an arriving aircraft touches down on the runway;

**runway busy day**, in respect of an **airport**, means the calendar day during the **disclosure year** with the 18th highest number of daily **aircraft movements** for that **airport**;

**runway busy hour**, in respect of an **airport**, means the clock hour during the **disclosure year** with the 30th highest number of hourly **aircraft movements** for that **airport**;

**runway departure time** means the time recorded by air traffic controllers when a departing aircraft lifts off the runway;

## S

**scheduled** means:

- (a) in relation to an **interruption**, an aircraft movement to or from an **airport** which is either published in an airline schedule or advised to the **airport** more than seven days in advance, where that aircraft arrived or departed

within 15 minutes of that scheduled time, or would have done had it not been for an **interruption to a specified airport service**; and

- (b) in all other cases, an aircraft movement to or from an **airport** which is either published in an airline schedule or advised to the **airport** more than seven days in advance;

**security screening—floor space** means the overall functional floor space, measured in square metres, of areas providing security screening services for **passengers**, including the areas occupied by screening equipment and benches, and the staff operating the screening, queuing zones and an area up to two metres after the benches on the airside of the screening zone, but excludes aviation security offices;

**security screening—notional capacity** means realistic hourly throughput capacity expressed in **passengers** per hour, based on the number of screening stations and the sustainable processing rate advised by the **Aviation Security Service**, and determined in respect of both:

- (a) security screening facilities other than those that cater for international transit and transfer **passengers**; and
- (b) security screening facilities that cater for international transit and transfer **passengers**;

**specified airport services** has the meaning set out in s 56A of the **Act**;

**specified passenger terminal activities** has the meaning set out in s 2 of the Airport Authority Act 1966;

**standard depreciation** means:

- (a) in relation to the **unallocated RAB**, unallocated depreciation calculated in accordance with clause 3.4(1) of the **IM determination**;
- (b) in relation to the **RAB**, depreciation calculated in accordance with clause 3.4(2) of the **IM determination**;

**standard price** means the headline price set by an **airport** for the provision of one or more **specified airport services** to airline customers or **passengers**, including where applicable as the result of a **price setting event**;

**substantial customer** has the meaning set out in section 2A of the Airport Authorities Act 1966;

**summary of change** means a summary of the change in depreciation approach including:

- (a) in respect of a change in **asset life**, the previous asset life and the current **asset life**; and
- (b) in respect of a change in methodology, the previous methodology and the current methodology;

## T

**tax depreciation** means depreciation determined in accordance with clause 4.1(3)(b) of the **IM determination**;

**tax expense** means:

- (a) in respect of **airport business—GAAP** or **airport company** financial results, tax as determined in accordance with **GAAP**;
- (b) in respect of an **airport business**, the **regulatory tax allowance**;

**tax losses (regulated business)** means the value of  $q$  calculated using the following formula:

$$q = a + b - c$$

where:

$a$  = **tax losses (regulated business)** for the previous **disclosure year**;

$b$  = **current year tax losses**; and

$c$  = **tax losses used**,

and where in the **initial disclosure year**, **tax losses (regulated business)** for the previous **disclosure year** is zero;

**tax losses used** means the lesser of **tax losses (regulated business)** for the previous **disclosure year** and the **regulatory taxable income**;

**terminal arrival time** means the 'on-blocks' time recorded by the airline when an aircraft arrives and stops at its allocated aircraft parking stand;

**terminal departure time** means the 'off-blocks' time recorded by the airline when an aircraft starts to move off its allocated aircraft parking stand for departure, provided that if an aircraft has to return to a parking stand for any reason, then the terminal departure time is the time the aircraft finally leaves the parking stand;

**total directly attributable** means the sum of all **directly attributable operating costs** or **directly attributable asset values**;

**total financial incentives** means the sum of **pricing incentives** and **other incentives**;

**total MCTOW** means the combined **MCTOW** of:

- (a) **domestic** flights of 3 tonnes or more but less than 30 tonnes **MCTOW**;
- (b) **domestic** flights of 30 tonnes **MCTOW** or more; or
- (c) **international flights**,

as the case may be;

**total not directly attributable** means the sum of all **operating costs** not **directly attributable** or **asset values** not **directly attributable**. For the avoidance of doubt, the sum of **total directly attributable** is the total **operating costs** or **asset values** (which ever is applicable);

**total passenger terminal functional areas providing passenger facilities and service—floor space** means the aggregate of:

- (a) **landside circulation outbound—floor space**;
- (b) **check-in—floor space**;
- (c) **passport control outbound—floor space**;
- (d) **security screening—floor space**;
- (e) **airside circulation outbound—floor space**;
- (f) **departure lounges—floor space**;

- (g) **airside circulation inbound—floor space;**
- (h) **passport control inbound—floor space;**
- (i) **landside circulation inbound—floor space;**
- (j) **baggage reclaim—floor space;**
- (k) **bio-security screening and inspection and Customs secondary inspection—floor space;**
- (l) **arrivals concourse—floor space;** and
- (m) the floor space, measured in square metres, of areas providing general facilities for passengers, including:
  - (i) toilets;
  - (ii) help desks;
  - (iii) information desks;
  - (iv) telephone and internet facilities,but excluding plant/service areas and cleaners' rooms.

For the avoidance of doubt, **total passenger terminal functional areas providing passenger facilities and service—floor space** does not include the floor space of the outbound baggage sortation system;

**total regulatory income** means the sum of:

- (a) **net operating revenue;**
- (b) **gains / (losses) on asset sales;** and
- (c) **other income;**

but does not include **assets held for future use revenue;**

**total revaluations** means the sum of **indexed revaluations** and **periodic land revaluations;**

**tracking revaluations** has the meaning set out in clause 3.11(6)(d) of the **IM determination**, where references to 'excluded asset' should be read as references to **assets held for future use;**

**transfer to works under construction** means the value of **assets held for future use** transferred to **works under construction** as determined in accordance with clause 3.11 of the **IM determination;**

**transit and transfer passenger** means:

- (a) in respect of **domestic passengers**, a **passenger** departing on a **domestic** flight, who arrived at the **airport** on a **domestic** flight and was through-checked onto an outward **domestic** flight such that he or she was not required to reclaim any baggage or check in again at the **airport;** and
- (b) in respect of **international passengers**, a **passenger** departing on an international flight, who arrived at the **airport** on an international flight and was not required to pass through passport control outbound;

## U

**unallocated RAB** means the sum of the unallocated opening **RAB** values; or the sum of the unallocated closing **RAB** values; or the sum of any roll forward components (as the case may be), as determined in accordance with the **IM determination;**

**unallocated initial RAB value** has the meaning set out in the **IM determination**;

**default opening carry forward unforecast revaluation gain/loss adjustment** means:

- (a) for **indexed revaluations, periodic land revaluations** from:
  - (i) **disclosure year** 2010 onwards for the first **price setting event** after 31 December 2016, should an **Airport** choose such an approach; and
  - (ii) the previous **price setting event** for the second and subsequent **price setting events** after 31 December 2016;
- (b) for **non-indexed revaluations**, the sum of **any periodic land revaluations** and **indexed revaluations** (that may arise, for example, where the approach to revaluation has changed) from:
  - (i) **disclosure year** 2010 onwards for the first **price setting event** after 31 December 2016, should an **Airport** choose such an approach; and
  - (ii) the previous **price setting event** for the second and subsequent **price setting events** after 31 December 2016;

**Comment [RMMB11]:** Change to definition of unforecast revaluations to more accurately represent what we understand to be the Commission's intention. See cover submission for further details.

**unregulated activities—GAAP** means the difference between the **airport company—GAAP** and the **airport business—GAAP**;

**unregulated component** means the component of **operating costs** or the **unallocated RAB value** of assets not allocated to **regulated activities** in accordance with Part 2 the **IM determination**;

## V

**value** means the recorded value of similar **related party** transactions in respect of each **related party** during a **disclosure year**. For the avoidance of doubt, **capital expenditure** and **asset disposal** transactions require the separate disclosure of the value of each transaction;

**vanilla WACC** has the meaning set out in the **IM determination**;

## W

**WACC percentile equivalent for forecast cost of capital** has the meaning set out in the **IM Determination**;

**WACC percentile equivalent for forecast post-tax IRR** has the meaning set out in the **IM Determination**;

**wash-up** means an ~~annual~~ adjustment to prices reflecting actual use and actual costs incurred;

**working day** has the meaning given to that term in s 2 of the **Act**;

**works under construction** means:

- (a) subject to paragraphs (c) and (d), in relation to unallocated works under construction, the value of  $q$  calculated using the following formula:

**Comment [RMMB12]:** Adjustments are not necessarily made on an annual basis.



$$q = a + b - c$$

where:

*a* = **works under construction** for the **previous disclosure year**;

*b* = **capital expenditure**; and

*c* = **assets commissioned**;

The formula is to be calculated using **unallocated RAB** values.

- (b) subject to paragraphs (c) and (d), in relation to allocated works under construction, the value of the unallocated works under construction (as determined in accordance with paragraph (a)), which is allocated to the **regulated activity** in a manner consistent with either the principles of Part 2 of the **IM determination** or the assumptions used in determining the forecast of **key capital expenditure projects**;
- (c) in relation to works under construction – year ended 2009, the value of those assets or collections of assets as disclosed in the **2009 disclosure financial statements** and which are defined as works under construction in accordance with Part 3 of the **IM determination**;
- (d) in relation to works under construction adjusted – year ended 2009, means works under construction as of the year ended 2009 plus the value of the **MVAU valuation adjustment** for those assets included in works under construction – year ended 2009 (as determined in accordance with paragraph (c)).

## PART 2 DISCLOSURE REQUIREMENTS

### 2.1 Information Disclosure

- (1) Subject to clauses 2.9 and 2.10, from the **commencement date**, every **airport** must comply with the information disclosure requirements set out in this determination and, in particular, must comply with:
  - (a) the requirements to disclose financial and other information in clause 2.3;
  - (b) the requirements to disclose quality information in clause 2.4;
  - (c) the requirements to disclose forecast total revenue requirements and pricing information in clause 2.5;
  - (d) the audit, certification and verification requirements in clauses 2.6 and 2.7; and
  - (e) the retention and continuous disclosure requirements in clause 2.8.

### 2.2 Applicable Input Methodologies

- (1) Every **airport** must apply the following parts of the **IM determination**, when complying with this determination:
  - (a) Part 2 – Cost Allocation;
  - (b) Part 3 – Asset Valuation; and
  - (c) Part 4 – Treatment of Taxation.

### 2.3 Annual Disclosure Relating to Financial Information

- (1) Within five **months** after the end of each **disclosure year**, every **airport** must disclose information relating to its financial position by:
  - (a) completing each of the following reports by inserting all information relating to the **specified airport services** supplied by the **airport** for that **disclosure year**:
    - (i) the Report on Return on Investment set out in Schedule 1;
    - (ii) the Report on Regulatory Profit set out in Schedule 2;
    - (iii) the Report on Regulatory Tax Allowance set out in Schedule 3;
    - (iv) the Report on Regulatory Asset Base Roll Forward set out in Schedule 4;
    - (v) the Report on Related Party Transactions set out in Schedule 5;
    - (vi) the Report on Actual to Forecast Expenditure set out in Schedule 6;
    - (vii) the Report on Segmented Information set out in Schedule 7;
    - (viii) the Consolidation Statement set out in Schedule 8;
    - (ix) the Report on Asset Allocations set out in Schedule 9;
    - (x) the Report on Cost Allocations set out in Schedule 10; and
  - (b) **publicly disclosing** each of those reports.
- (2) For the purpose of clause 2.3(1)(a)(vi), the forecast figures that are entered in the Report on Actual to Forecast Expenditure in Schedule 6 must be the same as those that are entered in the most recent Report on the Forecast Total Asset Base Revenue Requirements disclosed in accordance with clause 2.5.

- (3) For the purpose of clause 2.3(1)(a)(iv), the **depreciation methodology** disclosed in the Report on Regulatory Asset Base Roll Forward set out in Schedule 4 must be the same as the **depreciation methodology** in the **forecast depreciation** component of the latest Report on the Forecast Total Revenue Requirements set out in Schedule 18 that was disclosed in accordance with clause 2.5(1).
- (4) Within five **months** after the end of each **disclosure year**, every **airport** must **publicly disclose** each land valuation report prepared for the purpose of revaluing land in accordance with Schedule A of the **IM determination** and included in the Report on Regulatory Asset Base Roll Forward set out in Schedule 4.

#### 2.4 Annual Disclosure of Quality and Statistics

- (1) Within five **months** after the end of each **disclosure year**, every **airport** must disclose information relating to the quality of its **specified airport services** by:
  - (a) subject to clause 2.4(2), completing each of the following reports by inserting all information relating to the **specified airport services** supplied by the **airport** for that **disclosure year**:
    - (i) the Report on Reliability Measures set out in Schedule 11;
    - (ii) the Report on Capacity Utilisation Indicators for Aircraft and Freight Activities and Airfield Activities set out in Schedule 12;
    - (iii) the Report on Capacity Utilisation Indicators for Specified Passenger Terminal Activities set out in Schedule 13;
    - (iv) the Report on Passenger Satisfaction Indicators set out in Schedule 14;
    - (v) the Report on Operational Improvement Processes set out in Schedule 15;
    - (vi) the Report on Associated Statistics set out in Schedule 16; and
    - (vii) the Report on Pricing Statistics set out in Schedule 17; and
  - (b) **publicly disclosing** each of those reports.
- (2) Every three **months**, for the purpose of completing and **publicly disclosing** the Report on Passenger Satisfaction Indicators set out in Schedule 14, every **airport** must complete a **passenger** satisfaction survey by questionnaire for each of the following **passenger** types, in accordance with clauses 2.4(3) and 2.4(4):
  - (a) **passengers** about to board a domestic flight; and
  - (b) **passengers** about to board an international flight.
- (3) Each passenger survey must conform to the following requirements:
  - (a) each respondent must be a **passenger** about to board a flight;
  - (b) each survey questionnaire must be completed by one respondent only;
  - (c) the margin of error of the surveyed responses to each question for the combined quarterly surveys completed in each disclosure year must be no greater than 5% with a 95% confidence level;
  - (d) the survey design must account for any selection bias arising out of the respondent's choice of destination, airline and date of travel to the extent that such selection bias does not materially affect the accuracy of the results;

- (e) the process for undertaking fieldwork in a manner that avoids bias must be documented, and that documented process must be made available to all individuals undertaking fieldwork;
- (f) survey questionnaires must invite the respondent to assess the quality of each of the service aspects on a five point rating scale, where:
  - 1 = “very dissatisfied” or “poor”;
  - 2 = “somewhat dissatisfied” or “fair”;
  - 3 = “neither satisfied or dissatisfied” or “good”;
  - 4 = “satisfied” or “very good”; and
  - 5 = “very satisfied” or “excellent”; and
- (g) the quarterly score  $S$  disclosed for each question in the passenger survey is a weighted average calculated using the following formula:

$$S = \frac{\sum_{I=1}^5 (I \times R(I))}{\sum_{I=1}^5 R(I)}$$

where:

- (i) each of the five possible responses are sequentially labelled with an integer value  $I$ , ranging from 1 to 5 in accordance with clause 2.4(3)(f) above; and
  - (ii)  $R(I)$  is the number of respondents that returned, in answer to the question, the response labelled  $I$ .
- (4) If the design of the passenger survey, including fieldwork and result compilation procedures, changes to the extent that it may materially affect the comparability of results from one disclosed quarter to the next, the nature of the change and the effect of that change on the comparability of the survey must be noted in the survey comments box contained in the Report on Passenger Satisfaction Indicators set out in Schedule 14.
  - (5) The fieldwork documentation required pursuant to clause 2.4(3)(e) above must be made publicly available at the same time as the Report on Passenger Satisfaction Indicators set out in Schedule 14 is **publicly disclosed**. The Internet address of the site containing this documentation must be noted in the survey comments box contained in the Report on Passenger Satisfaction Indicators set out in Schedule 14.

## 2.5 Disclosure Following Price Setting Event

- (1) Within 40 **working days** following a decision by an **airport** to fix or alter a price that will cause a **price setting event**, or within five consecutive years of the previous disclosure under this clause, an **airport** must disclose information relating to its **forecast total revenue requirement** by:

- (a) completing each of the following reports by inserting all information relating to the **specified airport services** supplied by the **airport** for that **disclosure year**:
  - (i) the Report on Forecast Total Asset Base Revenue Requirements set out in Schedule 18;
  - (ii) the Report on the Pricing Asset Base Revenue Requirements in Schedule 19 in respect of the **pricing asset base**, where any references to the **RAB** in Schedule 19 or in the definitions referred to in Schedule 19 should be read as references to the **pricing asset base**;
  - (iii) the Report on Demand Forecasts set out in Schedule 20; and
- (b) **publicly disclosing** each of those reports; and
- (c) in respect of each of the following components of the Report on the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 and the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19:
  - (i) **forecast asset base**;
  - (ii) **forecast cost of capital**;
  - (iii) **forecast operational expenditure**;
  - (iv) **forecast depreciation**;
  - (v) **forecast unlevered tax**;
  - (vi) **forecast revaluations**; and
  - (vii) **other factors**,

**publicly disclosing** a description of how each of these components has been determined, including an explanation of:

  - (viii) the rationale for the basis of preparing these components, and any related assumptions;
  - (ix) the extent to which each component is used to determine the forecast total revenue requirement; and
  - (x) Subject to clause 2.10, the differences (if any) between the preparation of each component and the most recent corresponding historical financial information disclosed in accordance with clause 2.3.
- (d) where an **airport** has included a **forecast closing carry forward adjustment** or an **opening carry forward adjustment** in the Report on the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 or the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19, **publicly disclosing**:
  - (i) a description of the **opening carry forward adjustment** or **forecast closing carry forward adjustment** and an explanation of how it has been calculated;
  - (ii) a summary of views expressed by **substantial customers** of the **airport** on the **opening carry forward adjustment** or **forecast closing carry forward adjustment** from the consultation undertaken as part of a **price setting event**;

- (e) where an **airport** has included a **forecast closing carry forward adjustment, publicly disclosing**:
  - (i) an explanation of how the **closing investment value** accurately reflects the remaining capital that is intended to be recovered by the **airport** over the relevant **pricing period**;
  - (ii) the purpose and appropriateness of the **forecast closing carry forward adjustment**;
  - (iii) when the **forecast closing carry forward adjustment** will have been fully offset;
  - (iv) an explanation of why a **forecast closing carry forward adjustment** is the most appropriate method of accounting for the amount that would be offset as part of the **forecast closing carry forward adjustment**;
- (f) where an **airport** has not applied the **default cash flow timing assumption** in the calculation of the **forecast post-tax IRR, publicly disclosing** an explanation of and evidence of how forecast cash flow timing is different from the **default cash flow timing assumption**;
- (g) **publicly disclosing** an explanation of any differences between the **forecast post-tax IRR** in:
  - (i) the Report on Forecast Total Asset Base Revenue Requirements set out in Schedule 18; and
  - (ii) the Report on the Pricing Asset Base Revenue Requirements in Schedule 19;
- (h) **publicly disclosing** the **post-tax WACC at price setting event** in the Report on Forecast Total Asset Base Revenue Requirements set out in Schedule 18;
- (i) **publicly disclosing** reasons for any differences, and evidence supporting those reasons, between:
  - (i) the **post-tax WACC at price setting event** and the **forecast cost of capital**; and
  - (ii) the **forecast cost of capital** and the **forecast post-tax IRR**;
- (j) where the **forecast asset base** is based on a value other than that used for the purposes of the latest disclosure under clause 2.3, **publicly disclosing** the valuation report on which the value of the **forecast asset base** is based;
- (k) where an **airport** has included an **assets held for future use charge, publicly disclosing** information relating to the **airport's** forecast **assets held for future use** as set out in Schedule 18 and the assumptions and justifications of the **airport's** forecast **assets held for future use revenue**;
- (l) **publicly disclosing** the **airport's** forecast **capital expenditure** by category and the aims and objectives of **key capital expenditure projects** as disclosed in accordance with Schedule 18;
- (m) **publicly disclosing**, for the period of five consecutive years immediately following the **price setting event**, a description of each **key capital expenditure project** as disclosed in accordance with Schedule 18, including an explanation of:

- (i) the process by which the need for the **key capital expenditure project** was determined, including any assessment criteria;
  - (ii) any **consumer** engagement undertaken as part of the process referred to in clause 2.5(1)(m), including a description of how **consumer** demands have been assessed;
  - (iii) any alternative expenditure projects considered, and the rationale for excluding those alternative projects;
  - (iv) the extent to which the **key capital expenditure project** is reflected in pricing; and
  - (v) any constraints or other factors on which successful completion of each **key capital expenditure project** is contingent; and
- (n) **publicly disclosing** any assumptions or justifications of the **airport's forecast operational expenditure** by category as disclosed in accordance with Schedule 18.
- (o) **publicly disclosing** information relating to the **airport's forecast total financial incentives** in accordance with Schedule 18;
- (p) where an **airport** uses a **non-standard depreciation methodology** for the **forecast depreciation** component of the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 or the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19, **publicly disclosing**:
- (i) a description of the **non-standard depreciation methodology**,
  - (ii) an explanation of how the **non-standard depreciation methodology** is NPV neutral;
  - (iii) an explanation of and evidence of how the **non-standard depreciation methodology** reflects the expected value or utilisation of the **pricing asset base RAB**, taking into account the expected time profile of capital recovery;
  - (iv) for the first **price setting event** in which the **non-standard depreciation methodology** is applied, the **forecast depreciation** component of the Report on the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 or the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19 that would result from the application of **standard depreciation**, for the duration of the relevant **asset life** or 10 years, whichever is lesser; and
  - (v) an explanation of how the **non-standard depreciation methodology** is consistent with section 52A(1) of the Act.
- (q) where an **airport** uses standard depreciation for the **forecast depreciation** component of the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 or the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19, **publicly disclosing**:
- (i) an explanation of **and evidence of how** the standard depreciation methodology reflects the expected value or utilisation of the **pricing asset base RAB**;

**Comment [RMMB13]:** We have substituted pricing asset base for RAB. As it is a price setting disclosure, it is more appropriate to explain the impact on pricing asset base rather than RAB.

**Comment [RMMB14]:** An explanation is sufficient.

**Comment [RMMB15]:** As above, we have changed pricing asset base for RAB

- (ii) ~~if any changes in an airport's forecast of asset lives has a material effect on forecast depreciation, an explanation of that effect; and an explanation of any change in forecast asset life;~~
- (r) **publicly disclosing the forecast revaluations** of the Forecast Total Asset Base Revenue Requirements set out in Schedule 18 and the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19 ~~using a revaluation approach for each asset category that is consistent with the revaluation approach chosen:~~
  - (i) ~~at a price setting event; and~~
  - (ii) ~~pursuant to clause 3.7 of the IM Determination;~~
- (s) **publicly disclosing the forecast pricing CPI value used as part of any indexed revaluation approach that makes up the forecast revaluations component of:**
  - (i) the Forecast Total Asset Base Revenue Requirements set out in Schedule 18; and
  - (ii) the Report on the Forecast Pricing Asset Base Revenue Requirements set out in Schedule 19;
- (t) where an **alternative methodology with equivalent effect** is used as part of the Report on the Forecast Total Asset Base Revenue Requirements set out in Schedule 18, **publicly disclosing:**
  - (i) a description of the **alternative methodology with equivalent effect;**
  - (ii) the component of the Report on the Forecast Total Revenue Requirements set out in Schedule 18 to which the **alternative methodology with equivalent effect** has been applied;
  - (iii) an explanation of the reasons for the application of the **alternative methodology with equivalent effect;** and
- (u) **publicly disclosing** for each service that is included in **revenue requirement not applicable to price setting event** as disclosed in accordance with Schedule 18:
  - (i) a description of the service;
  - (ii) the forecast total revenue requirement that is forecast to be earned from the service for each **disclosure year** of the **price setting event;**
  - (iii) the revenue earned from the service during the most recent **disclosure year;** and
  - (iv) reference to any price setting event that the service has been applicable;
- (2) Within 40 **working days** following a decision by an **airport** to fix or alter a price that will cause a **price setting event**, or within five consecutive years of the previous disclosure under this clause, an **airport** may disclose information relating to its **forecast total revenue requirement** by disclosing the **WACC percentile equivalent for forecast cost of capital** and the **WACC percentile equivalent for forecast post-tax IRR** in the Report on Forecast Total Asset Base Revenue Requirements set out in Schedule 18;

**Comment [RMMB16]:** As above, there is an issue with definition of "change in forecast asset life".

**Comment [RMMB17]:** Note that (ii) is provided as an alternative, if the Commission remains of the view that an express disclosure requirement in relation to forecast asset lives is justified. Our view is that (i) alone is sufficient.

**Comment [RMMB18]:** We have also unbolded "standard depreciation" as that definition is an IM ex-post concept.

**Comment [RMMB19]:** There is an issue with linking this requirement to the IM determination. Also, the reference to consistency with price setting event is unnecessary given the definition of "forecast revaluations". See cover submission for further details.

**Comment [RMMB20]:** Amendments to remove link to ex-post indexed revaluation as defined by the IM (ie by unbolding the term). Revaluations may not be indexed.



- (3) Within 40 **working days** following a decision by an **airport** to fix or alter a price that will cause a **price setting event**, the **airport** must **publicly disclose** an overview of the **airport's pricing methodology** used to set prices as part of the **price setting event**, including:
- (a) a summary of the **airport's pricing methodology**; and
  - (b) to the extent related to the **price setting event**, a description of:
    - (i) **charged services**; and
    - (ii) the relationship between the quality of service provided and the cost for each **charged service**; and
    - (iii) the methodology used to allocate costs to particular **charged services**; and
    - (iv) significant changes to prices for **charged services**, including any rebalancing of prices, compared with equivalent services provided during the previous **pricing period**; and
    - (v) the methodology for determining the proposed prices for **charged services**, and how those prices are reconciled with the forecast total revenue requirement; and
    - (vi) any terminal access charges (even if these are bundled into other charges) and the methodology for determining any differentiation in terminal access charges on the basis of the means of access to the terminal (such as airbridge access, transfer bus access or walking access); and
  - (c) an explanation of the extent to which the **airport** considers that the application of the **pricing methodology** will lead to efficient prices, including whether there are any cross-subsidies.
- (4) Within 40 **working days** following a decision by an **airport** to fix or alter a price that will cause a **price setting event**, and within 5 **months** following the end of each **disclosure year**, an **airport** must **publicly disclose** a list of the **airport's standard prices** for all **specified airport services**, including whether the **standard prices** are inclusive or exclusive of **GST**.

## 2.6 Auditor's Reports

- (1) Where an **airport** is required to **publicly disclose** any **audited disclosure information**, the **airport** must:
- (a) procure a report by an **independent auditor** in respect of that **audited disclosure information** that is addressed to directors and signed by the **independent auditor** (either in his or her own name or that of his or her firm), stating:
    - (i) a duty of care to the Commission;
    - (ii) the work done by the **independent auditor**; and
    - (iii) the scope and limitations of the audit; and
    - (iv) the existence of any relationship (other than that of auditor) which the **independent auditor** has with, or any interests which the **independent auditor** has in, the **airport** or any of its subsidiaries; and

- (v) whether the **independent auditor** has obtained all information and explanations that he or she required and, if not, the information and explanations not obtained; and
  - (vi) subject to clause 2.6(3), whether, in the **independent auditor's** opinion, as far as appears from an examination of them, proper **records** to enable the complete and accurate compilation of required information have been kept by the **airport**; and
  - (vii) subject to clause 2.6(2), whether (and, if not, the respects in which it does not), in the **independent auditor's** opinion, the **audited disclosure information** complies with this determination; and
- (b) **publicly disclose** the **independent auditor's** report prepared in accordance with clause 2.6(1)(a) at the same time as the **airport publicly discloses** the **audited disclosure information**.
- (2) For the purpose of clause 2.6(1)(a)(vii), complies with this determination means:
- (i) in respect of historical financial information **publicly disclosed** pursuant to clause 2.3(1), whether (and, if not, the respects in which it does not), in the **independent auditor's** opinion, that information has been prepared in all material respects in accordance with this determination; and
  - (ii) subject to clause 2.6(3), in respect of historical non-financial information **publicly disclosed** pursuant to clause 2.4(1), whether (and, if not, the respects in which it does not), in the **independent auditor's** opinion, the **airport** has complied in all material respects with the requirements, including guidance (if any) issued pursuant to this determination, and the information is based on the **records** examined under clause 2.6(1)(vi).
- (3) In respect of non-financial information, **independent auditors** may rely on **records** that are sourced from a third party.

## 2.7 Certificates

- (1) Where an **airport** is required to **publicly disclose** any information pursuant to either of clauses 2.3(1) or 2.4(1), the **airport** must at that time **publicly disclose** a certificate in the form set out in Schedule 21 in respect of that information, duly signed by two **directors** of the **airport**.
- (2) Where an **airport** is required to **publicly disclose** any information pursuant to clause 2.5 (except pursuant to clause 2.5(1)(t)), the **airport** must at that time **publicly disclose** a certificate in the form set out in Schedule 22 in respect of that information, duly signed by two **directors** of the **airport**.
- (3) Where an **airport** is required to **publicly disclose** any information pursuant to clause 2.5(1)(t), the **airport** must at that time **publicly disclose** a certificate in the form set out in Schedule 23 in respect of that information, duly signed by one senior manager of the **airport**.

## 2.8 Retention and Continuing Disclosure

- (1) An **airport** that is required by this determination to **publicly disclose** any information must retain, and continuously **publicly disclose**, that information for

at least seven years from the date that information is first required to be **publicly disclosed**.

## 2.9 Exemptions

- (1) The **Commission** may at any time, by written notice to an **airport**:
  - (a) exempt the **airport** from any or all of the requirements of this determination, for a period and on such terms and conditions as the **Commission** specifies in the notice; and
  - (b) amend or revoke any such exemption.

## 2.10 Transitional Provisions

- (1) When complying with clause 2.5(1) for the first **price setting event** after 31 December 2016, Auckland International Airport Limited and Christchurch International Airport Limited (or their subsidiaries and successors) must complete the Transitional Report on Regulatory Asset Base Value in Schedule 24 by:
  - (a) inserting all information relating to the **specified airport services** supplied by the **airport** for the **disclosure year** ending on 30 June 2016, to the extent that the information required to be disclosed in Schedule 24 differs to the most recent corresponding historical financial information disclosed in accordance with clause 2.3;
  - (b) **publicly disclosing** an explanation of the differences (if any) between the preparation of each component of the first Report on the Forecast Total Revenue Requirements set out in Schedule 18 prepared after 31 December 2016 and:
    - (i) the corresponding historical financial information prepared and disclosed in accordance with clause 2.10(1)(a); and
    - (ii) for the financial information that was not disclosed under clause 2.10(1)(a), the most recent corresponding historical financial information disclosed in accordance with clause 2.3.

Dr Mark Berry, *Chair*

Sue Begg, *Deputy Chair*

Dr Stephen Gale

Dr Jill Walker

Dated at Wellington this 22nd day of [xx] 2016.

COMMERCE COMMISSION







|



