

INFORMATION DISCLOSURE FOR SPECIFIED AIRPORT SERVICES

TECHNICAL WORKING SESSION

13TH SEPTEMBER 2010, 10AM – 3PM

WELLINGTON INTERNATIONAL AIRPORT, DE HAVILLAND ROOM

SESSION NOTES

Attendees:

Commission Staff: John Hamill
Hamish Groves
Robert Gordon
Laurence Walls
Neville Lord
Tobias Maugg
Katie Armstrong

Industry: Mike Basher (Adviser to NZAA)
John Beckett (BARNZ)
Kristina Cooper (BARNZ)
Adrienne Darling (AIAL)
Sean Ford (Air New Zealand)
Jan Frazer (AIAL)
Martin Harrington (WIAL)
Eric Morgan (Air New Zealand)
Iain Munro (Airbiz)
Andrew Souness (CIAL)
Kevin Ward (NZAA)

Apologies: Neil Cochrane (CIAL)

Purpose of the Working Session

The purpose of this session was to obtain further feedback on technical and practical implementation considerations that require further clarification from submitters, with respect to the Commission's information disclosure draft Determinations. Session One focussed on particular matters where the Commission required further information or clarification from submitters. Session Two discussed definitions included in the Defined Terms within the draft Determination, by exception.

The working session commenced at 10am, and concluded at 2.30pm. The notes below do not represent a full transcription of the discussions – they reflect general themes and outcomes of those discussions.

The Commission has not made final decisions on any matter relating to information disclosure requirements for specified airport services. Following the workshop, the Commission will consult on the technical drafting of the information disclosure determination.

SESSION 1: TECHNICAL DISCUSSION TOPICS

The table below sets out technical issues raised by submitters in response to the draft Reasons Paper and draft Determination. It includes the Commission's initial proposals in response, and the outcomes of discussion.

Item No.	Issue	Proposed Changes to Determination	Outcomes/Action Points
<i>Historical Financial Information</i>			
3.1	<p>Safety, security and environmental expenditure</p> <p>Should Schedules 3a, 5b and 6 have separate disclosure of safety and security operational expenses, and/or security, safety and environmental' capital expenditure?</p> <p>Separate disclosure of these items should not be required as it would be difficult to separate these items from other expenditure categories.</p> <p>Q: What impact, if any, would the removal of this separate disclosure have on interested persons?</p> <p>Q: If separate disclosure was to be retained, how should this expenditure be defined in order to clearly separate it from other expenditure categories?</p>	<p>Schedules 3a and 5b would be amended by removing separate disclosure of safety and security operational expenses, and/or security, safety and environmental' capital expenditure.</p> <p>The list of defined terms would be amended by removing 'safety and security opex' and 'security, safety and environmental' capex'.</p>	<p>Attendees considered the purpose of disclosing safety and security expenses as well as the complexity of reporting such costs.</p> <p>BARNZ supported the disclosure of safety and security expenses and indicated that specifying what costs are included would reduce the compliance costs. BARNZ indicated that it would be beneficial to have this information at a high level, but acknowledged that this may not be possible until later in the regime.</p> <p>Airports expressed concern around the cost and ambiguity of separating safety and security costs from other costs. Airports also noted that a defined list of costs may not meet the purpose of the disclosure.</p> <p>Commission is to consider the points raised.</p>

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3.2	<p>Segmented regulatory profit schedule</p> <p>Should Schedule 6 which reports on segmented regulatory profit retain the column eliminations/transfers?</p> <p>Q: What is the appropriate accounting treatment for the regulatory reporting of revenue by segmented activities? In particular, how should revenue, which relates to multiple activities, be reported?</p>	<p>Schedule 6 to be amended by removing the eliminations/transfers column.</p>	<p>Noted by Commission staff that these columns would not provide information on the transfer of assets between segmented business units.</p> <p>Agreement between Airports and Airlines/BARNZ that these columns should be removed.</p>
<i>Quality</i>			
4.1	<p>Definition of arrival & departure time</p> <p>BARNZ proposes that arrival and departure time be defined in respect of on-block and off-block apron times, and notes that this would be in accordance with a US Department of Transport definition of on-time delays.</p>	<p>No change is proposed if on-block and off-block passenger data is not available.</p> <p>Workshop discussion on whether on-block and off-block passenger data is available and would improve assessments of the capacity utilisation of specified passenger terminal activities.</p>	<p>Attendees considered that the use of on/off block definitions to determine busy hour passenger numbers and on-time departure delays was appropriate and feasible. Information held on Airways' Collaborative Arrival Manager (CAM) system could be provided by airlines for this purpose. It was considered that taxiway congestion does not contribute significantly to take-off delays at present, but it was noted that it may do so in the future. Attendees proposed that arrival and departure definitions be applied as follows: schedule 12 on-time departure delay disclosures to be based on off-block times; schedule 13 busy periods on touchdown and lift-off times; and schedule 14 busy periods on on-block/off-block times.</p>

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4.2	<p>Schedule 13 (aircraft movements) Disclosure of busy day stand access</p> <p>The draft determination indicated that capacity utilisation of air stands is intended to be revealed by reporting the busy day usage of each type of stand for each category of aircraft. Parties proposed changing the categories of aircraft, but NZAA indicated that disclosure of stand use for each category may be impractical as aircraft movement data from Airways Corporation does not record the stand allocated to each flight. NZAA proposed instead reporting total runway movements and an average “per stand” figure.</p> <p>BARNZ considers stand capacity utilisation to be essential to understanding the utilisation of airport facilities and notes that the means of access relates directly to consumer demands; and proposes limiting the disclosure to domestic jet flights and international flights.</p>	<p>Require disclosure of busy day stand access by aircraft category.</p> <p>Change the aircraft categories in the disclosure to:</p> <ol style="list-style-type: none"> 1. International [jet]; 2. Domestic [jet], 3. Domestic turbo-prop; and 4. Domestic General Aviation, <p>and label the calculated totals as “Total aircraft movements during busy day”.</p> <p>Workshop discussion on solutions to data availability concern.</p>	<p>BARNZ noted that its proposal to limit disclosure to domestic jet flights and international flights (refer BARNZ submission, 12 July 2010, p21) applied only to schedule 16b annual disclosures. Attendees agreed that the information can be supplied from airport/airlines allocation records, but noted that these stand allocation processes don’t pick up all stand usage (including parking spaces leased or reserved for military flights). Attendees observed that the four proposed categories do not cover all flight movements and that the calculated total would not equal total aircraft movements during the busy day.</p>

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4.3	<p>Schedule 16b (terminal access) annual stand allocation figures</p> <p>NZAA has indicated that disclosure of annual usage of each type of stand by domestic flights and by international flights may be impractical as aircraft movement data received from Airways Corporation does not record the stand allocated to each flight.</p> <p>NZAA proposes that this disclosure requirement be removed.</p> <p>BARNZ suggests limiting the scope to disclose stand usage by domestic jet flights and international flights only.</p>	<p>The Commission seeks further information relevant to assessing the benefit to interested persons and the cost of disclosing this information.</p>	<p>Disclosure will contribute to interested persons' ability to identify the extent to which services are being provided at a quality that reflects consumer demands. Attendees noted that use of the services may be a result of an airline decision rather than airport capacity. Walking gate opening times are logged, and annual disclosure of stand allocation for all flights for which passengers use the terminal should be feasible.</p>
4.4	<p>Definition of Busy Day</p> <p>Airbiz recommended the 95th percentile day i.e. the 18th ranked day) as the appropriate measure "for consistency across airports and over time". BARNZ proposed that the runway movement busy day be the day in which the runway movement busy hour occurs.</p>	<p>No change proposed.</p> <p>Workshop discussion on whether the 18th ranked day definition remains the most appropriate.</p>	<p>Attendees agreed that the busy day should be the 18th ranked day.</p>
4.5	<p>Definition of "Passenger"</p> <p>Commission staff have noted that since "passenger" is not a defined term in the draft determination, the ability of interested persons to compare disclosed information based on passenger numbers may be impaired.</p>	<p>"Passenger" becomes a defined term.</p> <p>Passenger is defined as meaning all persons transported on a commercial flight, excluding airline staff servicing the flight.</p> <p>Workshop discussion on definition of passenger.</p>	<p>Attendees agreed that 'passenger' should be a defined term and that it should not be limited to revenue passengers. Consideration should be given to changing the proposed term 'staff servicing the flight' to 'operating crew'. This would include training and check staff, but not duty travel staff. The term 'commercial flight' may be too loose—'scheduled passenger services' was suggested as an alternative but was it was pointed out that this would not include all users of the passenger terminal. Definitions of 'Regular Passenger Transport' (RPT), a term used in Australia, could be considered.</p>

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4.6	<p>Schedule 14 floor area definitions</p> <p>Parties propose excluding “landside circulation inbound” from the definition of functional components for capacity utilisation reporting, since this component exists only at Wellington airport.</p> <p>BARNZ proposes that the definition of “passenger facilities functional floor space” be deleted.</p>	<p>Delete “landside circulation inbound” from the definition of functional components.</p> <p>Delete the definition of “passenger facilities functional floor space”.</p> <p>Workshop discussion on whether these floor space areas fall within the definitions of the remaining functional areas.</p>	<p>Attendees agreed it made sense to retain ‘landside circulation inbound’ as a functional component. Wellington airport has an identifiable landside circulation area that provides landside passageway for both inbound and outbound passengers. Attendees agreed it is sensible to consider that 50% of this passageway floor space constitutes ‘landside circulation inbound’. Airbiz Aviation Strategies will propose a revised definition for consideration by attendees and the Commission.</p> <p>Airbiz confirmed that the passenger facilities functional floor space did not fall within the definitions of the remaining functional areas and agreed that if it is excluded from the list of functional areas it should be separately specified as part of the aggregate area of interest.</p>
4.7	<p>Number of definitions concerning functional components</p> <p>Definitions: Parties consider that the number of definitions relating to functional components should be reduced, largely to reduce the risk of confusion and error.</p>	<p>The busy hour definitions, currently defined for each functional component of the passenger terminal ([functional component name]—busy hour), be deleted and incorporated into a single “busy hour—for passenger numbers” definition.</p> <p>Workshop discussion to identify any fundamental concerns regarding the definitions associated with functional components.</p>	<p>Airbiz and NZAA suggested that terms similar to ‘making adjustment for...’ could be used to simplify the busy hour and passenger throughput definitions without loss of (and with possible improvement in) specificity. Airbiz noted that the underlying busy hours matrix may be expanded slightly to recognise non-coincident busy hours. Airbiz and NZAA will propose a revised set of definitions for consideration by attendees and the Commission.</p>

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4.8	<p>Schedule 12 interruptions to material services should exclude 3rd party services</p> <p>NZAA has proposed that, due to the difficulty of collecting information, the scope of this disclosure be limited to air bridges owned by the airport. BARNZ proposes an explanatory note be added to Schedule 12 stating “Disclosure of interruptions should not include interruptions to any assets owned and managed by a third party, and which are not being provided on behalf of, or under contract with, the Airport”.</p>	<p>Workshop discussion to consider BARNZ’ proposal or modifying the definition of “interruption”.</p>	<p>Attendees noted that the proposed definition of interruption already limits disclosure of interruptions to services that are provided by an airport and are withdrawn by an airport. It was agreed that clarification of the definition, along the lines of BARNZ’s proposed wording, would be helpful.</p>
4.9	<p>Schedule 14: Disclosure of passenger numbers, passenger/m² ratios, or both</p> <p>Parties propose that, for each functional component of the passenger terminal, the throughput of passengers during the busy hour be disclosed as a ratio (passengers per 100m²) rather than as a headcount.</p>	<p>Schedule 12 to specify that passenger throughput be disclosed by headcount, labelling the template input cells: “Throughput of passengers during the busy hour (No)”</p> <p>Workshop discussion to consider whether any issues need to be resolved concerning the disclosure of passenger throughput by headcount.</p>	<p>Attendees agreed that disclosure of passenger numbers by headcount would be appropriate and that the inclusion of calculated ratios in the schedule 14 template would assist interested persons.</p>
4.10	<p>Standardisation of terminology in floor area definitions</p> <p>Definitions of passport control (inbound) and passport control (outbound) floor space as proposed have variously referred to customs “booths” and customs “tables” and definitions of security screening floor space refer to “stations” and “counters”.</p>	<p>Workshop discussion to propose appropriate terms</p>	<p>Attendees agreed that the following terms should be used in floor area definitions and schedule 13:</p> <ul style="list-style-type: none"> ▪ a generic term should be applied to the SmartGate automated border processing system and the units described as ‘kiosks’; ▪ security ‘screening points’ rather than ‘screening counters’ (schedule 13) and rather than ‘screening stations’ (definition of biosecurity and customs screening floor space); ▪ customs ‘benches/kiosks’ rather than counters (definition of biosecurity and customs screening floor space); and ▪ Emigration and immigration ‘booths’ rather than counters (schedule 13).

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4.11	<p>Definitions of combined transit and transfer passengers</p> <p>Parties propose deleting the definitions of and references to “inbound combined transit and transfer passengers” and “outbound combined transit and transfer passengers”.</p> <p>These terms appear in the draft definitions of "baggage outbound—throughput of passengers"; "baggage reclaim—throughput of passengers"; and "check-in—throughput of passengers", and are used for netting off the number of international and domestic transit and transfer passengers at combined domestic/international functional components.</p>	<p>Definition of “inbound combined transit and transfer passengers” removed.</p> <p>Definition of “baggage reclaim—throughput of passengers” removed.</p> <p>Workshop discussion to identify any fundamental concerns regarding the use of the term “outbound combined transit and transfer passengers”.</p>	<p>AirBiz and NZAA indicated that this issue is addressed in the revised set of definitions for item 4.7.</p>
4.12	<p>Schedule 16a (number of flights & MCTOW) list of aircraft types</p> <p>NZAA proposes aggregating the last 20% of aircraft in each weight category as “Others”.</p> <p>BARNZ notes that this could result in as few as 2 or 3 aircraft types being disclosed and that even with a lower threshold this would have excluded the need to disclose A380 usage following the expansion of the AIAL runway. BARNZ suggests listing 95% of aircraft types per weight category plus all types for which capex was expended in last 10 yrs.</p>	<p>No change</p> <p>Workshop discussion to identify any fundamental concerns regarding the disclosure of all aircraft types in schedule 16a.</p>	<p>The draft reasons paper stipulates that aircraft types should be differentiated by the manufacturer’s model. Attendees indicated that aircraft data could, without resulting in excessively long disclosure lists, be disclosed to within the specific model of aircraft type eg, 777-300, but not to sub-type level eg, 777-300 ER.</p> <p>BARNZ undertook to confirm to the Commission that the data is available and meaningful.</p>

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4.13	<p>Schedule 12 Fixed electrical ground power units.</p> <p>NZAA proposes that the requirement to disclose the proportion of time that FEGP supply is unavailable be removed since FEGP is an elective service not available at all airports. NZAA suggests FEGP is not sufficiently important to warrant additional disclosure and notes that it not clear how non-availability would be calculated and planned maintenance treated.</p> <p>BARNZ noted that CIAL is currently discussing with airlines whether to install ground power units as part of the current terminal project and suggested that the use of ground power units is likely to become more common given the environmental benefits of reducing aviation fuel usage through Auxiliary Power Units.</p>	<p>The Commission seeks further information relevant to assessing the benefit to interested persons and the cost of disclosing this information.</p> <p>Options for resolving issues around maintenance might include reformulating the disclosure requirement, bringing in more in line with the other reliability disclosures, e.g.:</p> <ul style="list-style-type: none"> ▪ “The total number of aircraft movements during the financial year where FEGP was requested but was not available.” ▪ “The percentage of time that FEGP is not available due to interruptions.” 	<p>Attendees agreed that the provision of FEGP units is likely to become increasingly important and that disclosure should be made in accordance with the second option, ie, the percentage of time that FEGP is not available due to interruptions.</p>
4.14	<p>Transition provisions concerning schedule 12</p> <p>NZAA proposed (supported by BARNZ) that the requirement to disclose interruptions by party responsible be removed in the transitional year, effected by inserting the following subclause in the determination: “15.6(c) interruptions by party responsible, as otherwise required to be disclosed in accordance with the Report on Reliability Measures as set out in Schedule 12”.</p>	<p>Subclause 15.6(c) added to clarify that during the transitional year, information should be entered in the “undetermined reasons” entry cells of the Schedule 12 template.</p>	<p>Attendees agreed with the Commission’s proposed changes to the Determination.</p>

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<i>Forecast Total Revenue and Supporting Information</i>			
5.1	<p>Demand Forecasts - inclusion of international transit and transfer passengers</p> <p>BARNZ consider that these passenger categories should be included. BARNZ consider that a materiality threshold (suggested 5%) should be incorporated. NZAA does not believe this disclosure is necessary.</p>	<p>Amendments to Clause 9.1 to require disclosure of this category if exceeding 5% of total international (arrival and departure) demand.</p>	<p>Attendees agreed that this information should be disclosed, but that no materiality threshold is necessary. If not relevant to the situation of the individual airport (as is currently the case at CIAL and WIAL) attendees considered that a nil disclosure would be acceptable.</p>
5.2	<p>Key capital expenditure projects - Determination of appropriate threshold for disclosure</p> <p>BARNZ considers that Commission's proposed \$30 million is too high, will not capture sufficient projects. NZAA agrees with the Commission's proposed threshold, or five largest projects in five years, subject to a minimum project value.</p>	<p>Change of approach to disclosure based on Key capital expenditure projects comprising 80% of total capex over the five year forecast period.</p>	<p>Airports and BARNZ agreed that the threshold for key capital expenditure reporting should be adjusted to \$5 million.</p>
<i>Pricing Disclosures</i>			
6.1	<p>Price Setting Event</p> <p>BARNZ noted that AIAL reset terminal services charge and jet fuel pipeline charge annually and airlines prefer it this way as airlines value the transparency the annual forecasting and wash-up processes provide, as well as the opportunities these processes provide for airlines to engage with the airport. BARNZ suspects that AIAL would seek to move away from the annual resetting process if the Commission requires airports to disclose information as described in Clause 9.</p>	<p>Proposed definition: With respect to a Specified Airport Service, means the process and result of setting price by an Airport in respect of that Specified Airport Service, pursuant to sections 4A and/or 4B of the Airports Authorities Act 1966, <i>but excluding the following services to the extent that each constitutes a Specified Airport Service</i></p> <p>(a) jet fuel pipeline charge; (b) joint user hydrant line charge; (c) wash-up of terminal services charge.</p>	<ul style="list-style-type: none"> ▪ Attendees agree that annually reset prices should be excluded, subject to adjustment as the result of a wash-up; ▪ NZAA proposed a definition in its submission which the Commission proposes to consider and suitably adapt; ▪ the Commission's proposed definition of wash up was accepted by attendees, (with a minor adjustment): a wash-up means an annual adjustment reflecting actual use and actual costs incurred for the current financial year; ▪ Attendees agreed that Commission should change the requirement to disclose to: <ul style="list-style-type: none"> ○ within 20 working days of a PSE, or

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			<ul style="list-style-type: none"> ○ at least once every 5 years ▪ Commission to clarify in update paper that the purpose of the price setting event is to avoid triggering a PSE disclosure;
6.2	<p>Separate disclosure of pricing statistics regarding terminal services</p> <p>Should the pricing statistics regarding passenger services income and terminal services income be disclosed separately?</p> <p>BARNZ noted that the term “terminal services charge” is likely to cause confusion as this term is defined differently by different airports. Terminal services charge may cover other terminal services in addition to access to terminals.</p>	<p>Not to require a separate disclosure of pricing statistics regarding terminal services.</p> <p>Instead, require airports to disclose the pricing statistics regarding the total income from all terminal income (sum of all income regarding terminal services), i.e. a ratio of total income from all terminal charges to passenger numbers (i.e. domestic and international passenger numbers).</p> <p>Refer Schedule 18 (Appendix 2)</p>	<p>Suggested that Commission change terminology in Schedule 18: terminal services charge" to "terminal access income"; Average price" becomes "average income".</p> <p>AIAL suggested relying on the AAA definition for specified activities</p> <p>In addition, attendees considered that</p> <ul style="list-style-type: none"> ▪ Lease/rental should be left in for high level income comparisons, to ensure broad comparability between airports; ▪ It might be appropriate to remove lease/rental income for purpose of certain comparisons; <p>Commission to verify definition of income used to calculate pricing statistics to ensure comparability between airports.</p>
6.3	<p>Pricing Statistics</p> <p>Issues:</p> <ol style="list-style-type: none"> 1) Requirement to disclose per passenger pricing statistics of the General Aviation flights (under 3 tonnes MCTOW); 2) Disclosure of parking charges; and 3) Weight breaks for domestic and international flights (3 tonnes MCTOW /30 tonnes MCTOW)? 	<p>To incorporated the submissions and cross-submissions and update Schedule 18.</p> <p>Relevant changes made to Schedule 18.</p>	<p>Attendees considered that:</p> <ul style="list-style-type: none"> ▪ landing charges should be divided into inbound plus outbound traffic (not specifically one or the other) due to differences in airport charges structure (attendees noted that a landing fee covers the cost of both landing and take-off); ▪ Revenue from parking charges is immaterial and therefore not to be separately disclosed in pricing statistics; ▪ freight should not be subject to a separate category in the pricing statistics as in NZ revenue from freight only services is small as most freight is transported in belly-hold and would not be

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			<p>charged for in a way that can easily be distinguished from other charges;</p> <ul style="list-style-type: none"> ▪ Pricing statistics for flights below 3 tonnes are not informative; and ▪ the additional proposed weight break for domestic and international flights (3t MCTOW to 3t MCTOW) is likely to be of interest to interested parties

Session 2: Definitions:

This session was open for attendees to raise any defined term that required further clarification. A number of definitional points were raised by the Airports and NZAA at the working session. In general, they proposed to simplify definitions by breaking down compound definitions into their component parts. Rather than provide an exhaustive list at the working session, Mike Basher (Adviser to NZAA) undertook to provide the Commission with a marked-up copy of the definitions outlining their proposed changes to the definitions in detail.

Definitions discussed at the working session included:

Definition	Raised by	Issue	Outcomes/Action Points
Schedule 5, 6, 7 Asset classes	Airports/NZAA	Requires further clarification	Airports to provide further suggestions in written form (to follow)
RAB Tax values	Airports/NZAA	– does not include tax depreciation. Has this been left out?	Airports to provide further information in written form (to follow)
Baggage reclaim capacity	[insert]	Should be measured in bags per hour (as recommended by AirBiz)	Attendees agreed at working session. Airports to provide further suggestions in written form (to follow)
Schedule 5b(ix) – “highest rate of finance applied”	[insert]	What does this mean? Requires further definition	– Commission to come back to Airports with a precise definition