

29 October 2020

Attn: Jenna Raeburn
GM Corporate Affairs
Wellington International Airport Limited

By email only: jenna.raeburn@wellingtonairport.co.nz

Dear Jenna,

Response to Wellington International Airport Limited's request for an exemption from annual disclosure requirements under the Airport Services Information Disclosure Determination 2010

1. We refer to your email dated 22 October 2020 in which you requested on behalf of Wellington International Airport Limited (**WIAL**) an exemption from requirements to disclose comparative information from a Price Setting Event (**PSE**) in WIAL's annual disclosures for the 2020 disclosure year. The requirements in question are set out in the Airport Services Information Disclosure Determination 2010 (**ID determination**).¹
2. Under the relevant requirements of the ID determination, WIAL must provide forecasts in its annual disclosures, and these must be consistent with forecasts provided in its most recent price setting disclosures. However, WIAL has not formally completed its fourth PSE (**PSE4**) as a result of the impact COVID-19 has had on its forecasts and capital expenditure plan. As such, WIAL advises it is unable to fully meet the relevant requirements.
3. By this letter, we (the Commission) grant WIAL's exemption request from the ID determination requirements outlined below for the 2020 disclosure year, subject to the conditions described at paragraph 17.

Disclosure requirements

4. Under clause 2.3(1), every airport regulated under Part 4 of the Commerce Act 1986 (**Act**) (**regulated airport**) must complete and publicly disclose annual disclosures relating to their financial position. This includes completing several reports on

¹ The ID Determination is available on the Commission's website at:
https://comcom.govt.nz/_data/assets/pdf_file/0020/155009/Airport-services-Information-disclosure-determination-2010-consolidated-18-June-2019.pdf.

financial information, which are contained in Schedules 1 through to 10 of the ID determination.

5. Four of these Schedules² require WIAL to provide forecast figures for comparison against actual results for the disclosure year. Under clause 2.3(2) of the ID determination, these forecast figures must be consistent with those disclosed in the most recent *Report on Forecast Total Asset Base Revenue Requirements*, which is required under clause 2.5(1)(a)(i) of the ID determination as part of the disclosures regulated airports must complete following a PSE.
6. Under clause 2.3(8) of the ID determination, in completing the *Report on Profitability* set out in Schedule 1 for a disclosure year, WIAL must also provide explanatory comments for any variance in the post-tax internal rate of return (IRR) for the pricing period to date in Schedules 1, 2, 4 and 6, where variance is calculated against the forecasts included in WIAL's price setting disclosures made under clause 2.5.
7. However, WIAL has not recently disclosed a *Report on Forecast Total Asset Base Revenue Requirements* under clause 2.5(1)(a)(i) because WIAL has not formally completed its PSE4. As such, WIAL does not have the relevant forecast figures available for comparison in its 2020 annual disclosures.
8. WIAL's PSE4 has been delayed twice; first by 12 months to April 2020 (to allow WIAL to work through its consultation on its draft 2040 master plan), and then again due to impacts of COVID-19 on WIAL's forecasts and capital expenditure plan.
9. On 14 August 2019, the Commission granted WIAL an exemption from disclosing certain information following a PSE as required by clause 2.5(1) of the ID determination (**2019 Exemption**).³ This exempted WIAL from disclosing this information until 1 June 2020. On 29 May 2020, given the impact of the COVID-19 pandemic on WIAL, the Commission amended the 2019 Exemption and extended its end date to 1 June 2021.

Request for exemption

10. WIAL has requested an exemption from requirements to provide forecast information under clauses 2.3(2), 2.3(1)(a)(i), (ii), (iv), (vi) and 2.3(8) of the ID determination.
11. Although WIAL did not formally complete its PSE4, we understand that WIAL managed to substantially complete its pricing consultation and issued a Final Pricing Document to airline customers.

² Schedule 1, 2, 4 and 6 (respectively, these are the Report on Profitability, the Report on Regulatory Profit, the Report on Regulatory Asset Base Roll Forward, and the Report on Actual to Forecast Performance).

³ This exemption was granted under clause 2.9(1)(a) of the ID determination and is available on the Commission's website at: https://comcom.govt.nz/data/assets/pdf_file/0024/168171/Wellington-International-Airport-Exemption-request-response-14-August-2019.PDF.

12. Instead of providing zero comparative information, WIAL has proposed to report against the PSE4 forecasts that it shared with airlines, as it considers these remain the most meaningful and useful comparatives to include in Schedules 1, 2, 4 and 6 (**alternative disclosures**) in place of the forecast information. We understand that WIAL has proceeded on this basis.

Exemption granted

13. We note WIAL's request arrived within two weeks of the relevant deadline on 2 November 2020.⁴ As set out in our administrative guidance⁵ parties should not presume in advance that exemptions will be granted, and short notice requests reduce the scope for the Commission to grant any requested exemption.
14. In this case we acknowledge the impact that COVID-19 has had on WIAL's operations and we have prioritised our consideration. The Commission considers it appropriate to grant WIAL's exemption request for the reasons outlined below.
15. We recognise that WIAL has been unable to complete PSE4 to date, which makes it unfeasible for WIAL to provide forecast information for the purpose of the ID determination requirements outlined above. We consider that granting the exemption (subject to the conditions set out below) would best promote the purpose of information disclosure to the greatest possible extent in the circumstances, because the information that WIAL would otherwise be required to disclose does not exist, and the next best information for interested persons is the alternative disclosures.
16. As such, under clause 2.9(1)(a) of the ID determination, the Commission grants WIAL an exemption from providing forecast information under the following ID determination requirements for the 2020 disclosure year, subject to the conditions set out at paragraph 17:
- 16.1 clause 2.3(1)(a)(i), (ii), (iv), and (vi), in respect of requirements to complete the forecast and variance columns in the following reports:
- 16.1.1 the *Report on Profitability* set out in Schedule 1;
- 16.1.2 the *Report on Regulatory Profit* set out in Schedule 2;
- 16.1.3 the *Report on Regulatory Asset Base Roll Forward* set out in Schedule 4; and

⁴ The deadline for the annual financial disclosures would normally be 31 August 2020, however in response to COVID-19, on 3 April 2020 the Commission granted an [exemption](#) to extend the deadline for the disclosures by two months.

⁵ Available on the Commission's website at: <https://comcom.govt.nz/regulated-industries/airports/disclosure-requirements-for-airports/exemptions-to-airports-information-disclosure-requirements>

- 16.1.4 the *Report on Actual to Forecast Performance* set out in Schedule 6.
- 16.2 clause 2.3(2) – the requirement to provide, in Schedules 1, 2, 4 and 6, forecast figures consistent with those disclosed in the most recent *Report on the Forecast Total Asset Base Revenue Requirements* disclosure in accordance with clause 2.5(1)(a)(i); and
- 16.3 clause 2.3(8) – the requirement to provide explanatory comments for any variance for the post-tax IRR in Schedules 1, 2, 4 and 6.
17. This exemption is granted on the condition that WIAL completes and discloses, as part of its annual disclosures under the ID determination:
- 17.1 the equivalent information (in place of the forecast and variance information that WIAL has been granted an exemption from providing) in Schedules 1, 2, 4, and 6 from WIAL's Final Pricing Document released following its pricing consultation for PSE4 (as applicable); and
- 17.2 an explanatory note to explain that the forecast information included in its annual disclosures is from WIAL's Final Pricing Document, in accordance with this exemption, rather than information from price setting disclosures made under clause 2.5, and that the PSE4 forecasts may change following further consultation with WIAL's airline customers before 1 April 2021.

Further information

18. This exemption may be revoked or further amended by the Commission at any time in accordance with clause 2.9(1)(b) of the ID determination.
19. A copy of this exemption response letter will be published on the Commission's website.
20. If you have any questions regarding this matter, please contact April Chiu at april.chiu@comcom.govt.nz.

Yours sincerely



Sue Begg
Deputy Chair