

Auckland International Airport
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AUCKLAND

31 January 2014

Ruth Nichols
Regulation Branch
Commerce Commission
Level 6, 44-52 The Terrace
PO Box 2351
WELLINGTON 6011

BY EMAIL

Dear Ms Nichols,

RE: CONSULTATION ON IMPACT OF IM JUDGEMENT ON S56G REPORTS FOR AIRPORTS REGULATED UNDER PART 4 OF THE COMMERCE ACT

Thank you for your email dated 6 January 2014. In respect of Auckland Airport, the primary focus of this email is whether the Commission should update its analysis in its final s56G report (published on 31 July 2013) to incorporate the recent decision by the High Court that the land assets in the initial RAB should be valued as at 1 July 2010.

The Commission has noted that the change in the initial MVAU date would impact the analysis already undertaken for its final s56G report for Auckland Airport. However, it does not expect that any change in the analysis would have an effect on its conclusion about the effectiveness of information disclosure in respect of Auckland Airport's profitability.

We agree with the Commission that an updated valuation would bring an estimate of Auckland Airport's targeted returns further within the Commission's range of acceptable returns. In 2009, the property market was at a low point in the market cycle, and an upward trajectory occurred between then and 2011. An interpolation of the 2009 and 2011 valuations in 2010 is our current proxy for the estimated 2010 asset valuation.

Although the High Court has provided helpful clarification regarding the starting point of information disclosure regulation and how land should be valued at that point, Auckland Airport does not wish to create inefficiencies for our own business or for the Commission where these can be reasonably avoided. In this respect we support a pragmatic approach being taken by the Commission to updating the final s56G report. We consider that re-revision of the Auckland Airport s56G forecast returns analysis is unnecessary, and it will be sufficient for the Commission to issue an update to Ministers with a statement along the following lines:

In the final s56G report for Auckland Airport, the Commission concluded that Auckland Airport was targeting returns within an acceptable range, both for PSE2 and over the life of its assets (ie from 1 July 2012 onwards). The outcome of the merits review judgment would bring the Commission's estimate of Auckland Airport's target returns further within the range of acceptable returns, but does not otherwise change the Commission's conclusions.

We also request that the Commission's updating statement be published alongside the Auckland Airport s56G report on the Commission's website.

If the Commission's conclusions in relation to Auckland Airport are mentioned in the final s56G report for Christchurch Airport, the updated statement should also be noted.

For the avoidance of doubt, our comments in this letter relate only to the impact of the merits review judgment on the final s56G report. If and how the judgment impacts on future disclosures and/or Commission analysis may need to be discussed separately in due course.

Yours sincerely,



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