

Airports backward-looking profitability information disclosure amendments

Process paper

Date of publication: 17 January 2019



Associated documents

Publication date	Reference	Title
3 April 2018	ISSN 1178-2560	<u>Airport Services Information Disclosure Determination 2010 – (consolidated as of 3 April 2018)</u>
20 December 2016	ISSN 1178-2560	<u>Airport Services Input Methodologies Determination 2010 – (consolidated as of 20 December 2016)</u>
20 December 2016	ISBN 978-1-869455-49-1	<u>Input methodologies review decisions Topic paper 5: Airports profitability assessment</u>

Commerce Commission
Wellington, New Zealand

Purpose of this paper

1. This paper outlines the process we intend to follow to amend the information disclosure (**ID**) requirements applying to suppliers of airport services.
2. The objective of this paper is to allow interested persons to plan for future engagement on the ID amendments.
3. To achieve this, the remainder of this paper discusses:
 - 3.1 the background for regulation of airport services under Part 4 of the Commerce Act 1986 (**the Act**);
 - 3.2 the scope of our intended ID amendments; and
 - 3.3 the process we intend to follow to make the ID amendments.

Background for regulation of airport services under Part 4 of the Act

4. Part 4 of the Act provides for the regulation of the price and quality of goods or services in markets where there is little or no competition and little or no likelihood of a substantial increase in competition.¹ The purpose of Part 4 as set out in section 52A(1) of the Act is to promote the long-term benefit of consumers in regulated markets by promoting outcomes that are consistent with outcomes produced in competitive markets.
5. Auckland International Airport Limited (**AIAL**), Christchurch International Airport Limited (**CIAL**) and Wellington International Airport Limited are subject to ID regulation under Part 4 of the Act.² ID regulation has its own specific purpose (section 53A of the Act). The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 of the Act is being met.

¹ Commerce Act 1986, s 52.

² Commerce Act 1986, Subpart 11.

6. The 2016 input methodologies review resulted in a change to the approach for assessing profitability in our forward-looking ID requirements for airport services.³ We have not yet amended our backward-looking profitability ID requirements. In the interim, to allow the disclosure of useful backward-looking information on profitability for interested persons, we granted a conditional exemption for AIAL and CIAL for the 2017/2018 and 2018/2019 disclosure years.⁴
7. The conditional exemptions required AIAL and CIAL to disclose backward-looking profitability information consistent with the already amended forward-looking profitability disclosure.

The scope of our intended ID amendments

8. In order to promote the Part 4 purpose and the purpose of ID, it is our view that amendments are necessary to align our backward-looking profitability ID requirements with our forward-looking profitability ID requirements.
9. We also intend to correct minor errors in our forward-looking ID templates.

Our intended process

10. Table 1 below sets out the process we intend to follow and the indicative dates for completion.

Table 1. Indicative dates for the consultation process

Indicative date	Publication/event
17 January 2019	Process paper
21 or 22 February 2019	Consultation workshop
28 March 2019	Draft decision
April 2019	Submission period
May 2019	Final decision

³ Commerce Commission “Airport Services Information Disclosure Amendments Determination 2016, [2016] NZCC 29” (20 December 2016).

⁴ For a detailed explanation, see Commerce Commission “Conditional Exemption for AIAL airport services information disclosures for 2017/2018 and 2018/2019 disclosure years” (19 October 2017), paragraphs 2-4 and Commerce Commission “Conditional Exemption for CIAL airport services information disclosures for 2017/2018 and 2018/2019 disclosure years” (19 October 2017), paragraphs 2-4.