

By email

20 July 2017

Adrienne Darling
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Auckland International Airport Limited
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Dear Adrienne

Exemption request response - Specific exemption for Auckland International Airport Limited information disclosure for the price setting event beginning 1 July 2017

1. We refer to your letter of 5 July 2017 in which you requested the Commerce Commission (Commission) to confirm that Auckland International Airport Limited (Auckland Airport)'s intended approach to disclosing revaluations of land used for aircraft and freight services is correct. In the event that the Commission's view is that that approach is not correct, Auckland Airport requested limited exemption related to the disclosure of Schedule 24 of the Airport Services Information Disclosure Determination 2012 (Airport ID Determination).

Background to the request

2. Auckland Airport is required to disclose forecast total revenue requirements and pricing information following a price setting event under clauses 2.5.1 to 2.5.4 of the Airport ID Determination. When complying with clause 2.5.1 for the first price setting event after 31 December 2016, Auckland Airport must also complete the Transitional Report on Regulatory Asset Base in Schedule 24, as required by clause 2.10.
3. Schedule 24 was added to the Airport ID Determination as a result of our recent amendments to both the Airport Services Input Methodology Determination 2012 (Airport IM determination) and to the Airport ID Determination, as a part of our Input Methodologies review (IM review).
4. Regulated airports are not required to apply the input methodologies (IMs) when setting prices. As part of the IM review, we made several amendments to the Airport IM and ID Determinations to provide greater transparency for interested parties to better understand an airport's approach to pricing.

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5. These amendments included:
 - 5.1 allowing regulated airports to apply either CPI-indexation or a non-indexed approach when rolling forward the value of individual assets, depending on the approach applied in pricing. We maintained the ability for an airport to undertake periodic revaluations of land assets based on a market value alternative use (MVAU) approach specified in Schedule A of the Airport IM Determination; and
 - 5.2 recognising that a regulated airport may treat different parts of its asset base differently, and allowing the choice of indexation approach to be made at the individual asset level.
6. These amendments allow regulated airports to disclose information about asset values more consistently with the asset values used for pricing purposes.
7. Auckland Airport has had a moratorium on asset revaluations in effect since 2007 for assets within its asset base used for price setting. However, assets excluded from Auckland Airport's price setting event but included within the regulated asset base (RAB) have continued to be revalued either by rolling forward asset values using CPI-indexation or by periodically undertaking a new MVAU valuation for land assets. This means that some land assets within the RAB are based on a more recent land valuation than others.
8. However, clause 3.7(3) of the Airport IM Determination states that land revaluations must be applied to all land assets in the RAB. This clause makes no exception for an airport using different land valuation dates for different assets within the RAB.

Exemptions granted

9. The Commission considers that the exemption requested by Auckland Airport is appropriate in the present circumstances to allow the disclosure of Schedule 24 for the price setting event disclosure relating to the pricing period beginning 1 July 2017 to meet the intent of the recent amendments as part of the IM review – ie, to allow an airport to disclose its asset values in a manner as consistent as possible with the approaches used to set prices in order to ensure greater transparency and consistency for information disclosure.
10. Therefore, under clause 2.9 of the Airport ID Determination the Commission grants Auckland Airport the following exemption for the price setting event disclosure for the pricing period beginning 1 July 2017, as follows:
 - 10.1 Auckland Airport has a partial exemption from Clause 2.2 of the Airport ID determination by allowing it to not apply clause 3.7(3) of the Airport IM Determination when completing Schedule 24 of the Airport ID determination,

to the extent that it prevents the inclusion of MVAU valuations for non-pricing land assets.

- 10.2 This exemption is granted on the condition that Auckland Airport discloses its asset values in a manner most consistent with the approach used to set prices and that the airport notes that it has been granted this exemption with the publication of the price setting event disclosure.
11. We recognise that in granting this exemption there will be consequential effects for other information disclosure schedules (including Schedule 18 of the price setting event disclosure) that refer to historically disclosed RABs. References to historic RABs will now be based on the information provided within Schedule 24 for the dates included in the schedule.

Further information

12. This exemption may be revoked or amended in accordance with clause 2.9.1(b) of the Airport ID Determination.
13. A copy of this exemption response letter will be published on the Commission's website.
14. If you have any questions regarding this matter, please contact Jo Perry on jo.perry@comcom.govt.nz.

Yours sincerely

A handwritten signature in blue ink that reads "Sue Begg".

Sue Begg

Deputy Chair