



**EFFECTIVENESS OF INFORMATION DISCLOSURE REGULATION  
FOR MAJOR INTERNATIONAL AIRPORTS:**

**SUBMISSION TO MBIE**

**28 NOVEMBER 2014**

## EXECUTIVE SUMMARY

1. This submission responds to the consultation paper published by the Ministry of Business, Innovation and Employment ("**MBIE**"), which seeks feedback on the information disclosure ("**ID**") regime in the Commerce Act 1986, the price-setting and consultation provisions of the Airport Authorities Act 1966 ("**AAA**"), and the interaction between them (ie the overall regulatory regime for major international airports). This submission should be read in conjunction with that of the NZ Airports Association, which Auckland Airport supports.
2. Auckland Airport strongly believes that the AAA pricing regime in parallel with ID best suits the unique airport sector, and will continue to provide the best outcomes for New Zealand's economy.
3. We believe that the ID regime established by the Commission operates effectively and promotes the purpose of Part 4. It does this by providing a greater amount of information, prepared on a transparent and consistent basis, for interested persons to assess conduct and performance of Auckland, and other regulated airports, over time. Auckland Airport remains committed to the ID regime and working with the Commission and its passengers and customers to ensure the purpose of Part 4 is fulfilled.
4. In this submission, we focus on how the regulatory regime impacts on Auckland Airport in practice, including how ID relates to and influences our pricing and investment decisions. As we discuss in this submission:
  - (a) Since the regulatory regime for major international airports was last considered by Government, Auckland Airport has been through a period of significant change. This has seen Auckland Airport transform from an infrastructure provider into a company that is focused on working with its industry partners and customers to drive growth in travel, trade, and tourism. Although this process of change was underway prior to the introduction of Commerce Act ID regulation in 2008, the new regime has (in general) contributed positively to this development.
  - (b) In our view, Auckland Airport and its customers are now closer in understanding each others' needs and issues than ever before, and we have moved towards alignment in a number of important areas of airport performance (including matters that have historically been contentious). We think this is a good sign that the current regulatory framework is the right approach, including because it allows incentives that exist independently of regulation to positively influence our behaviour and decision-making in the interests of consumers.
  - (c) We were pleased that the Commission's section 56G reports endorsed Auckland Airport's positive conduct and performance across the range of outcomes that Part 4 is intended to promote (including that we are targeting an acceptable return). At the same time, while it is absolutely correct that ID is providing transparency and imposing effective constraints on our decisions, we query whether ID regulation is having a more direct impact than was intended when the ID regime was transferred from the AAA to the Commerce Act. In particular, our experience has been that:
    - (i) The input methodology ("**IM**") for the weighted average cost of capital ("**WACC**") reduces any incentive for airlines to consider whether airport-specific circumstances should be reflected in the cost of capital used for pricing purposes (even where any departures from the

Commission's approach to WACC are carefully justified by reference to independent expert advice). The Commission's use of the WACC IM as a "target return" that airports should be aiming to achieve is also causing considerable concern.

- (ii) Other aspects of the ID regime are also impacting on pricing and investment discussions in a way that is likely to create very real challenges going forward. For example, the exclusion of land held for future use from the regulated asset base for ID purposes is making it difficult to have important and necessary discussions with airlines about the appropriate pricing treatment of the future Northern Runway.
  - (iii) We are concerned that economically efficient pricing approaches (eg staggering the introduction of charges for the new runway) will be resisted by airlines and, if implemented may be incorrectly considered to be excessive by the Commission. On the other hand, we are concerned that the alternative approach implied by the Commission's IMs - a large step change in prices at the time the runway is brought into use - also risks adverse regulatory attention and opposition from substantial customers. We raised this issue with substantial customers in our pricing consultation, and have indicated to the Commission on a number of occasions that it needs to consider this critical issue further.<sup>1</sup>
  - (iv) We have some concerns with the way the Commission has reached its conclusions in the section 56G report. We think there is a risk that future summary and analysis will take a similarly "black and white" approach to assessing performance, particularly assessing returns, which we do not see as appropriate.
5. We recognise it is important that Auckland Airport's aeronautical services are subject to scrutiny by an independent regulator (in addition to the intense scrutiny from airlines during pricing consultations). Among other things, it is appropriate to check that we are operating and investing efficiently and that our prices are fair and reasonable. We think that the combination of ID regulation and price-setting under the AAA meets these objectives, as demonstrated by the section 56G report for Auckland Airport.
  6. On the other hand, regulation must not chill our incentive to continue timely and appropriate investment that helps New Zealand's economy to thrive. Auckland Airport has a strong track record of investing to provide capacity for growth. We take our responsibility as New Zealand's gateway to the world very seriously, and we seek to undertake responsive and forward-thinking investment to ensure our continued contribution to New Zealand's economy. It is important that the regulatory framework is creating an environment that supports this goal.
  7. On the whole, we think the current regulatory framework is the best model for this purpose. In our view, the model is working (although, as we discuss below, we have some concerns that the regulator is going beyond what was intended for the application of the model in some aspects). Stakeholder attention should now be focussed on how the model could be made to work even better, rather than on potentially disruptive changes to the nature of the model. Such disruptive changes would include removal of section 4A of the AAA and/or considering changes to the form of regulation under Part 4.

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<sup>1</sup> See, for example: Auckland Airport *Submission on the section 56G review process and issues paper* 19 October 2012 at paragraphs 286-305 (section 3.11); Auckland Airport *Section 56G review of Auckland Airport: Post-conference submission*, 15 March 2013 at paragraphs 116-123.

<b>PART A: A PERIOD OF CONSIDERABLE CHANGE AT AUCKLAND AIRPORT</b>
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**Overview**

8. This section provides an overview of the developments at Auckland Airport since the amendments to Part 4 were introduced in 2008. Over this time, the introduction of Commerce Act ID regulation has coincided with a shift in business strategy to produce an environment where:
- (a) our pricing and capital expenditure consultations under the AAA continue to become more streamlined over time, producing a great deal of alignment on core (and often historically contentious) issues;
  - (b) Auckland Airport's substantial customers publically and freely acknowledge our positive engagement approach and performance across a number of key areas;
  - (c) the Commission has found that ID is effectively promoting the purpose of Part 4 (or preserving existing incentives for Auckland Airport to act in a way that promotes Part 4) in a number of important aspects - innovation, quality, pricing efficiency and profitability; and
  - (d) the early signs are that ID is having a positive impact on the other limbs of the purpose statement of Part 4 - including encouraging the targeting of efficiency gains, and supporting the development of a forward-looking investment plan that is efficient and reflects our customers' needs.
9. In this section, we discuss the move towards greater alignment with our substantial customers that has taken place in recent years, and go on to describe the impact that the development of ID has had on our business. We return to the other points discussed above in the following sections of this submission.

**A change in philosophy and business focus, combined with ID, has produced greater alignment with our airline customers than ever before**

10. The last five years has seen a considerable change in Auckland Airport's focus as a company and in the nature of our relationships with our substantial customers. We have implemented a significant change in corporate culture over this time, which sees us heavily focussed on meeting customer needs and working with airlines and the industry to drive growth in travel, trade and tourism for the benefit of our city, country and customers. This shift in strategy has coincided with the development of the ID regime, and we have worked hard to embed the objectives of Part 4 of the Commerce Act into our corporate culture, values, policies and decision-making.
11. These changes have seen Auckland Airport transform from a company that builds infrastructure to a sales-led and customer-centric organisation focused on driving economic growth for the benefit of New Zealand.
12. Throughout this process, our relationship with our customers continues to evolve and improve. Auckland Airport and its substantial customers are closer in their understanding of each others' issues than ever before. Although this change was underway prior to the introduction of ID regulation, the new regime has helped deepen the understanding between us. There will always be matters on which airports and airlines naturally disagree, but we are proud of the considerable progress that has been made towards alignment across a wide range of important issues.

13. We are pleased that customers operating at Auckland Airport have recognised this constructive change, and the positive impact it is having on performance and outcomes. For example:
- (a) Airlines have recognised that information disclosed by Auckland Airport has led to greater transparency and greater understanding of Auckland Airport's performance (as intended by the ID regime).<sup>2</sup>
  - (b) BARNZ, Qantas and Air New Zealand have all recognised Auckland Airport's open, engaging and receptive approach, and its willingness to engage comprehensively with stakeholders in relation to innovation, improving operational performance and efficiency, and improving service quality.<sup>3</sup> In particular, BARNZ has noted that Auckland Airport is considered to be "responsive and proactive" in relation to quality matters raised by airlines.<sup>4</sup>
  - (c) Airline managers operating at Auckland Airport feel that there is now a desire on the part of the airport to understand their needs, and to engage with airlines rather than make assumptions (which airlines consider was the predominant approach prior to 2008).<sup>5</sup>
  - (d) BARNZ has recognised that Auckland Airport has put "considerable effort into encouraging airport users and service providers to adopt more efficient processes, and into facilitating a 'whole of airport' processing approach aimed at making passenger facilitation through the international terminal more efficient". BARNZ has recognised that Auckland Airport has done so through ongoing initiatives which have provided airport stakeholders "with a better understanding and awareness of the issues and processes of other stakeholders".<sup>6</sup>
  - (e) Comments from BARNZ and Air New Zealand near the conclusion of Auckland Airport's most recent pricing consultation and through the section 56G review illustrate that on the whole, both parties believed the quality of our consultation process was high. While the airlines did have some remaining substantive concerns at the conclusion of the process, these were largely restricted to narrow, detailed points of difference, rather than taking issue with the consultation process itself. For example:
    - (i) BARNZ explicitly noted in feedback to Auckland Airport's Board prior to the final pricing decision that it considered Auckland Airport's consultation process had been constructive and had enabled good dialogue between the parties.<sup>7</sup> BARNZ also noted that four of the eight charges in the resultant pricing proposal were fair and reasonable.<sup>8</sup>
    - (ii) Further, BARNZ has acknowledged that the ID regime (through the presence of the section 56G review) did have an impact on Auckland

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<sup>2</sup> Air New Zealand Submission on Section 56G Review of Auckland Airport Limited, 19 October 2012 at page 7; BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, 18 October 2012, page 2.

<sup>3</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 34, 35, 39; Qantas Group Response to Section 56G Issues Paper Relating to Auckland Airport, 24 October 2012, section 5; Air New Zealand Submission on Section 56G Review of Auckland Airport, page 17.

<sup>4</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 37.

<sup>5</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 37.

<sup>6</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 35.

<sup>7</sup> Auckland Airport, Final Price Setting Disclosure, Aeronautical Pricing Consultation, 2 August 2012, at page 36.

<sup>8</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 12.

Airport's pricing approach, including the cost of capital methodology used and the overall target return sought by Auckland Airport.<sup>9</sup>

- (iii) Air New Zealand acknowledged that it had come a long way with Auckland Airport in working together for the benefit of their mutual customers.<sup>10</sup> Air New Zealand has also recognised that (setting aside the level of charges), changes to Auckland Airport's pricing in 2012 reflect efficient pricing principles, and have created a stronger link between the facilities that are used and the charges and revenues associated with those facilities.<sup>11</sup>
  - (f) BARNZ and Air New Zealand's positive comments about Auckland Airport's consultation philosophy extend to our approach to capital expenditure consultation, which was positively endorsed by BARNZ,<sup>12</sup> and described as "robust, transparent and inclusive" by Air New Zealand.<sup>13</sup> In particular, BARNZ has noted Auckland Airport's changed approach to capital expenditure in its 2012 price setting consultation, stating that "in the more than 10 consultations over the resetting of charges under the AAA which BARNZ staff have been involved with, this is the first occasion on which an airport has included airline priorities as a fundamental initial step in capital expenditure planning".<sup>14</sup>
  - (g) BARNZ has acknowledged that it considers the capital expenditure included by Auckland Airport in its aeronautical pricing model is both reasonable and is more efficient than the expenditure which was forecast in the previous price setting process (in 2007).<sup>15</sup> BARNZ considered that, on the whole, Auckland Airport's forecast capital expenditure represents "efficient, sensible and appropriate responses to the areas of capacity constraints in current facilities".<sup>16</sup>
14. These positive and constructive statements are a far cry from the nature of airport-airline relationships prior to the introduction of Part 4, where public statements from airlines in 2007 described airline customers and Auckland Airport as being "miles apart", and considered that the "charade of so-called "consultation" does nothing to constrain airports".<sup>17</sup>
15. Despite this positive progress, we anticipate that airlines will seek to present their view that ID regulation is not effective because it is not having the impact on prices that airlines consider it should, and that the overall regulatory framework for airports needs to change. We anticipate airlines will maintain that the improvements described above are due to changes in management style and attitude, and do not provide evidence that the regulatory regime for airports is effective (as they have done throughout the section 56G review<sup>18</sup>). When considering these arguments, we encourage Government to recognise that:
- (a) On the whole, Auckland Airport has a very good relationship with its substantial customers, and there is considerable alignment on a wide range of important

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<sup>9</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 3.

<sup>10</sup> As recorded in Auckland Airport, Final Price Setting Disclosure, Aeronautical Pricing Consultation, 2 August 2012, page 36-37.

<sup>11</sup> Air New Zealand Submission on Section 56G Review of Auckland Airport, page 19.

<sup>12</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 30.

<sup>13</sup> Air New Zealand Submission on Section 56G Review of Auckland Airport, page 16.

<sup>14</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 30.

<sup>15</sup> BARNZ Cross-Submission on Auckland Airport s56G Issues Paper, 9 November 2012, page 2.

<sup>16</sup> BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, page 29.

<sup>17</sup> Air New Zealand Media Release *Air New Zealand asks court to review Wellington airport charges*, 14 August 2007; Air New Zealand Media Release *Air New Zealand rejects unjustified airport price hike*, 2 July 2007)

<sup>18</sup> See eg BARNZ Response to Section 56G Issues Paper Relating to Auckland Airport, pages 36-37.

pricing, quality, operational and investment issues. We consider it is important to recognise the positive changes that have been made rather than to bank those and focus on the few remaining points of difference between an airport and its airline customers.

- (b) It is not necessarily realistic to expect an airport and all of the stakeholders operating at that airport to agree on the appropriate level of airport charges. Airlines will, naturally, always want to pay less. It is in their commercial interest to seek to convince the regulator and Government that excess returns are being earned, and that more stringent regulation (focused on lowering short-term prices) is required. However, that view must be balanced against the importance of ensuring that airports are able to earn a normal return over time, so that the long-term interests of all current and future airport users are advanced (as well as the interests of all New Zealanders in a healthy airport sector).
- (c) The airlines' views appear to be driven by a belief that even a "flawless" ID regime would struggle to promote the Purpose of Part 4.<sup>19</sup> However, the Commission has been clear throughout its section 56G process that ID regulation can limit excessive profits in circumstances where airport price-setting remains governed by the AAA. In the case of Auckland Airport, the Commission has concluded that ID regulation has done so effectively.<sup>20</sup> The Commission's section 56G report for Auckland Airport demonstrates that ID can be effective at promoting all areas of the purpose statement - in direct contrast to the airlines' view that ID can never be effective unless changes are made to the pricing provisions in the AAA.
- (d) We consider that the additional transparency and scrutiny imposed by the ID regime has encouraged positive behaviour change at Auckland Airport. In any event, whether the positive outcomes described above were "caused by" the ID regime is not the real issue. Instead, the point is that ID is part of an overall airport regulatory environment that is creating and preserving incentives for Auckland Airport to engage in positive behaviour that improves its relationships with its substantial customers and promotes the long-term benefit of all consumers of airport services. In our view, that indicates the current airport regulatory framework is a successful and constructive regime.

### **The introduction of ID regulation has been a significant and lengthy process**

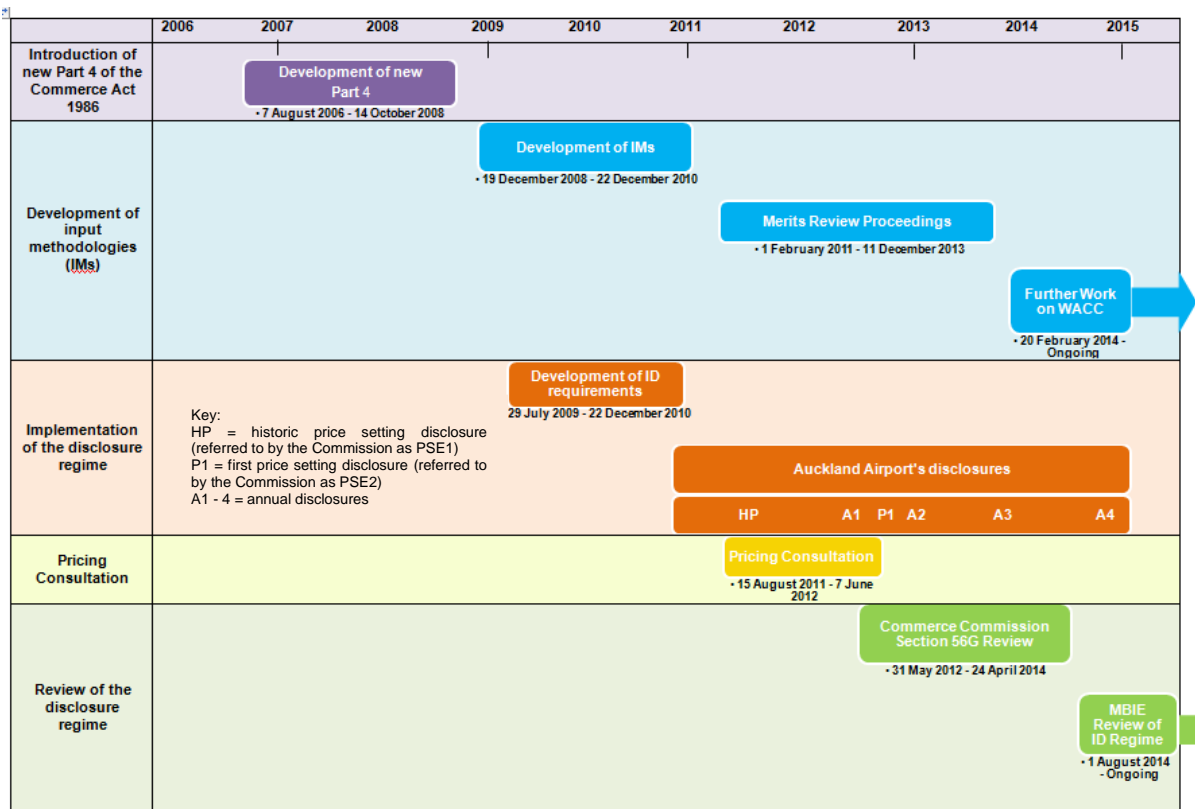
16. The development of the ID regime has been an intense period which has required a significant amount of resource from all parties. Since the amendments to the Commerce Act came into force in October 2008, there has been at least one active Commission consultation process or judicial proceeding underway at any given time. The core overlapping processes during this time are shown in the diagram below (and a list of key milestones in the regime's development is provided at Appendix A).<sup>21</sup>

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<sup>19</sup> Air New Zealand Submission on section 56G review, 29 June 2012 at paragraph 137.

<sup>20</sup> Commerce Commission *Final Report to the Ministers of Commerce and Transport on how effectively information disclosure regulation is promoting the purpose of Part 4 for Auckland Airport: section 56G of the Commerce Act 1986*, 31 July 2013 ("**Final Report**") at paragraph 2.11.

<sup>21</sup> We note that this diagram does not include pan-industry processes where Auckland Airport has been involved and provided submissions (such as the Commission's consultation on the levies to fund its regulatory activities). Nor does it include consultation processes in the energy sector where, given the Commission's strong preference to take a cross-industry approach, Auckland Airport monitors developments and provides submissions where appropriate (eg in relation to the proposed treatment of catastrophic risks in the Orion customised-price path process).



17. As will be apparent, the design and implementation of the ID regime for airports has been a lengthy and involved process. Over this time, Auckland Airport has provided over 35 written submissions to the Commission on its various development and implementation consultations (not including expert reports), as well as being a party to all submissions provided to the Commission by the NZ Airports Association on these consultation processes. In addition, we have produced two extensive pricing disclosure statements (one historic and one current) and four annual disclosure statements over this time, as well as working through an eleven month pricing consultation with our substantial customers.
18. Reflecting on the development process to date, it is clear that ID regulation is a regime that is in its comparatively early days - both because the development of the regime has stretched over such a lengthy period, and because any analysis to date has focused on forecast information only (as the Commission's annual monitoring process has not yet commenced, and the section 56G review considered forward-looking pricing information only).
19. Yet, despite a period that has seen significant changes in corporate culture (as discussed above) and considerable regulatory change that has not yet settled, Auckland Airport is now facing the prospect of further amendments to the design of the ID regime throughout 2015, including the Commission's proposed work on the WACC IM for airports, as well as potential changes to the IMs and ID requirements that were signalled in the Commission's section 56G reports.
20. Although we support exploring ways to make the ID regime more effective over time, we have some concerns about the prospect of material changes at this point in the life of the regime. We think we are now at a point where ID regulation should be looking to transition from a stage of intensive development towards a "business as usual" process of annual disclosures and Commission monitoring.



21. We think the right discussions to be having at this stage are about whether the design of the regulatory requirements:
- (a) is right for an ID regime which has the purpose of allowing interested parties to make their own assessments of airport performance;
  - (b) is appropriately supporting commercial engagement with customers on airport-specific issues; and
  - (c) supports the very positive trend towards airports as ambitious drivers of growth for the benefit of customers and all New Zealanders.
22. We encourage MBIE to keep these questions in mind when considering the effectiveness of the regulatory regime for major international airports. As we discuss further below, in our view the ID regime is operating effectively in its early days, and is working together with the provisions of the AAA to support Auckland Airport's ambitions as a healthy and responsible airport operator (albeit we have some concerns that the specific design and application of the ID requirements has gone too far in parts).
23. It seems logical and sensible to us that this framework is the right approach for airport regulation. We are confident that the ID regime will continue to be effective over time, and coupled with the AAA consultation requirements, will continue to support the positive developments that we have seen to date. We are committed to the regime and to working constructively with the Commission and airport customers to ensure that the overall regulatory environment for airports is producing great outcomes for airlines, the travelling public, and New Zealand.

**PART B: THE INTERACTION BETWEEN ID REGULATION AND THE AAA****Overview**

24. In this section, we provide our views on the interaction between the price-setting and consultation provisions in the AAA and the Commerce Act ID regime. In doing so, we address the following set of questions from the discussion paper:
- (a) How does the presence of ID affect how prices are set under section 4A of the AAA?
  - (b) Vice versa, do the price setting provisions in section 4A of the AAA affect how effective ID regulation is in promoting the purpose of Part 4 of the Commerce Act?
  - (c) How does the presence of ID impact on the consultation requirements in section 4B of the AAA?
  - (d) Do you have any comments on how the requirement to consult on capital expenditure in section 4C of the AAA fits into the overall regulatory regime for major international airports?
25. Auckland Airport takes our pricing consultation obligations very seriously, and we make it clear that we will approach all decisions with an open mind and consider all points of view. It is important to us that our pricing decisions are fair, supported by robust reasoning (including independent expert advice), and are highly informed by feedback from our customers.
26. Based on our first pricing consultation since the introduction of Part 4, our experience is that ID regulation generally had a positive effect on how prices were set under the AAA, by providing a common language for discussions with airlines, reducing the scope of the differences between Auckland Airport and our substantial customers, and encouraging us to expressly consider and be more explicit about our modelling and decisions.
27. Despite this positive impact, we have some concerns that ID regulation is impacting on the substance of our pricing decisions in a way that has potential to cause concern over the long term. In particular, the detailed and prescriptive nature of the WACC IM and the way it has been applied by the Commission to monitor returns makes it difficult to see that returns outside the limits produced by the IM may be considered appropriate in any circumstances. Further, we are concerned that the ID and IM requirements in relation to land held for future use may pose a significant challenge for Auckland Airport and its customers in the medium to long term.

**The impact of ID regulation on the pricing consultation process**

28. Pricing consultations at Auckland Airport involve a robust process over an extended period of time. In our experience, consultation under the AAA:
- (a) Has evolved to become an extensive process of information gathering and sharing of views. Auckland Airport publishes a series of information packs and discussion papers, and works through each of our pricing proposals to make an overall decision that takes into account past pricing practices, current advice from independent economic experts, the current regulatory framework, and feedback from substantial customers. To provide an example of how this process operates in practice, a table setting out the key milestones from our most recent pricing consultation is provided at Appendix B.

- (b) Generates robust discussion that imposes significant pricing pressure. Our substantial airline customers are knowledgeable, well-resourced, and involved in pricing discussions worldwide. They are experienced participants in pricing consultations, and are able to bring considerable scrutiny to the process.
  - (c) Creates an environment where we are genuinely interested in learning about our customers and their needs. In addition, we learn a lot from our airline customers about international best-practice approaches. As we learn more about and from our customers, consultations become more effective and lead to better outcomes for all parties.
  - (d) Involves a variety of airlines with different interests and priorities. Although all parties have a mutual interest in driving passenger growth, different customers have unique (and sometimes competing) service and investment priorities. Consultation allows Auckland Airport to balance these views and reach an outcome that reflects our diverse base of intermediate customers and that delivers the best outcome for the ultimate consumers — passengers.
29. One reason behind the introduction of ID regulation, and the specification of IMs, was to provide better information to guide consultations between airlines and airports, and to facilitate more effective consultation on commercial pricing outcomes.
30. In general, we think this has happened, and that ID has had a positive impact on the process of pricing consultations. In particular, we note that:
- (a) Our experience is that ID has led to a shorter and more constructive consultation process. Auckland Airport's most recent price setting consultation was conducted between August 2011 and June 2012 — a materially shorter (yet still significant) period than previously.
  - (b) At the end of this consultation, there was a substantial degree of alignment on a number of historically contentious issues. In particular, at the time of pricing there was substantial alignment between Auckland Airport and its customers on demand forecasts, allocation of assets and expenses, asset valuations, capital expenditure assumptions, depreciation lives and taxation. In our view, the new ID regime has had a positive effect in this area.
  - (c) In contrast, the pre-consultation process and consultation process for the prices that would apply from 2007-2012 were protracted and heated, taking almost three years to complete (extending from August 2004 to June 2007). At the completion of the process, judicial review was threatened by airlines and there was a volume of negative media commentary from airlines regarding Auckland Airport's pricing.
  - (d) Airlines had access to a considerable amount of information as part of consultation processes prior to Part 4. However, Auckland Airport looked afresh at its consultation process in 2011, streamlining the process and improving our consultation materials as a result of ID regulation. We understand this approach was appreciated by our substantial customers.
  - (e) We met with airlines throughout the consultation process to discuss our proposals and their feedback, and invited written responses on all information. As noted above, an overview of the key milestones in Auckland Airport's 2011-2012 pricing consultation is presented at Appendix B. We believe we were genuinely responsive to all feedback received throughout.
  - (f) The ID framework was very effective at ensuring we carefully and transparently disclosed our approaches to the pricing methodology, the rationale for those

approaches, and the material on which we relied. It encouraged us to expressly consider and to be more explicit about our modelling and decisions, as well as giving airlines a reference point to test those decisions. Although we sought to do this before Part 4 ID regulation, the pricing methodology disclosure requirements meant that we were far more structured in this area. As such, ID introduced further discipline and guidance to our pricing process.

31. In short, maintaining an open mind and genuinely engaging during consultation is a fundamental philosophy for Auckland Airport. We appreciate feedback from airlines that our consultation process is robust and promotes good dialogue. We firmly believe that our decisions benefit from customer feedback. In our experience, ID works well alongside the consultation obligations in the AAA. We would be very concerned about any regulatory change that risks undermining airlines' incentives to constructively engage with us.
32. We are also very concerned about any proposal to remove section 4A of the AAA. Although it is correct that airports have the power to set prices in the absence of section 4A, we agree with the NZ Airports submission that its removal is likely to provoke more contention and challenges regarding pricing decisions. It would be a shame to see any backwards step from the positive progress we have described above.
33. For completeness, we note that engagement with our customers is not limited to pricing consultations. Auckland Airport recognises the importance of ongoing engagement with its airline customers and other stakeholders in order to make journeys better. We continue to invest in ongoing forums to innovate, optimise efficiency and promote direct improvements in price and quality outcomes for passengers. These outcomes have natural positive consequences for airlines, broader stakeholders, and the New Zealand economy. For example, in the 2014 financial year, these combined efforts have included the following:
  - (a) Working closely with BARNZ and Airways New Zealand to complete the SMART Approaches flight path trial to help reduce the impact of aviation on the environment and communities (as well as being a project that has the potential to deliver real efficiencies and benefits for all airline customers). We are also working together with aircraft operators, ground handlers and air traffic control to improve the efficiency, predictability and punctuality of airport operations through the sharing of real-time and predicative operational data.
  - (b) Working closely with airlines, ground handlers, border agencies and air traffic control to improve the efficiency, predictability and punctuality of airport operations and enhance passenger experience. Auckland Airport invested in the design and development of a new airport operating system, which will help optimise asset utilisation and capacity management, and will also facilitate more collaborative and timely decision-making, positively impacting airlines' on-time performance, operating efficiency and enhancing the customer experience.
  - (c) Continuing to work with border agencies to make journeys better through the use of technology, such as SmartGate, to reduce queues and save travel time for passengers. For example, Auckland Airport has supported a New Zealand Customs led project applying a continuous improvement methodology to the departures process. The project aims to optimise the departures process to deliver a more streamlined and efficient experience for passengers. A number of initiatives have been trialled and tested and will be progressed further over the next year.

## Consultation on capital expenditure

34. In the discussion paper, MBIE is interested in how the requirement to consult on capital expenditure fits into the overall regulatory regime. In our view:
- (a) Capital expenditure consultation at Auckland Airport is very constructive. This consultation takes place both as part of pricing consultations, and outside those consultations in some circumstances. For example, during the most recent pricing consultation, Auckland Airport agreed to remove discussions of the next stage of terminal capacity development from the pricing consultation round, to allow better engagement on those issues, and for alternative proposals put forward by airlines to be properly explored. Our airline customers supported this decision, which has now seen the option put forward by airlines become the preferred approach going forward and the foundation of our 30 year vision for the development of the airport.
  - (b) ID regulation has had a positive and active impact. Auckland Airport has made a number of changes to our consultation approach in relation to capital expenditure, which have been appreciated and positively endorsed by airlines, and recognised by the Commission in its section 56G reports. For example, we appreciate the Commission's findings that:
    - (i) the evidence demonstrates Auckland Airport has effectively consulted on forecast capital expenditure with airlines for PSE2, and the consultation process adopted by Auckland Airport has been commended;<sup>22</sup>
    - (ii) parties consider that the level and timing of planned investment for PSE2 is efficient based on the circumstances at the time of pricing;<sup>23</sup> and
    - (iii) there is no evidence of planned under or over-investment at Auckland Airport for PSE2.<sup>24</sup>
  - (c) In addition, we appreciate and endorse the comments we have received from our airline customers through the section 56G review. As noted above, both BARNZ and Air New Zealand have endorsed our consultation approach on capital expenditure, as well as the investment forecasts for the current pricing period, which they consider to be efficient and a good reflection of customer requirements. In particular:
    - (i) BARNZ has commented that our forecast capital expenditure represents efficient, sensible and appropriate responses to the areas of capacity constraint in current facilities, and makes sensible use of existing space.<sup>25</sup> Auckland Airport has also received feedback from BARNZ in support of its proposal to consult separately on the new terminal facility outside the process for setting standard charges.<sup>26</sup>
    - (ii) Air New Zealand has noted that it considers Auckland Airport's capital expenditure forecasts for the current pricing period to be reasonable,

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<sup>22</sup> Final Report, paragraph H4.2.

<sup>23</sup> Final Report, paragraph H4.2.

<sup>24</sup> Final Report, paragraph H17.

<sup>25</sup> BARNZ *Response to Section 56G Issues Paper Relating to Auckland Airport*, 18 October 2012, page 29.

<sup>26</sup> See Auckland Airport Section 56G review of Auckland Airport: Submission on Commerce Commission Draft Report, 31 May 2013 at paragraph 169(a).

and the capital expenditure programme to be a good reflection of customer requirements over this time.<sup>27</sup>

35. We think this shows that the current requirement to consult on capital expenditure fits well as part of the overall airport regulatory regime. In our experience, a framework that involves robust consultation with users, with airports retaining the ultimate decision-making power, is the right approach to promote timely and responsive investment that supports and balances the needs of all current and future airport users. We think the current consultation structure is the best way of ensuring that Auckland Airport is able to make investment decisions that are right for our customers, city, and country.

### **The influence of ID on the substance of pricing and investment decisions**

36. Auckland Airport is strongly influenced by the regulatory signals that exist at the time of price setting. Auckland Airport set prices in 2012 after drawing guidance from the regulatory framework (including the IMs), expert advice, market and commercial circumstances, and feedback from our substantial customers. Our pricing decision sought to balance and promote the varying needs of our customers while ensuring that Auckland Airport would earn a fair and reasonable return over time.
37. The Commission's section 56G report demonstrates that Auckland Airport seeks to respond appropriately to regulatory guidance, and that regulation has had an influential and constraining impact on our behaviour. Airline customers added further pressure through their use of the regulatory framework. During our pricing consultation in 2011-2012, airline customers (in general) considered we should simply apply the Commission's IMs in pricing, and that there was no justification for departing from those approaches.
38. As a consequence, Auckland Airport has adopted approaches in its pricing decision that are different to the approaches we and our expert advisers consider appropriate from an economically efficient and a practical perspective. While we acknowledge that ID should impose discipline on our pricing practices, we query whether the level of influence that the current design of the ID regime is having is appropriate, or whether it is forcing pricing decisions that may reduce the likelihood of an adverse finding from the regulator in the short term but are likely to create very real pricing and investment challenges in the long term and may therefore not be in the long term interests of consumers.
39. The two key issues for Auckland Airport are the WACC IM, and the treatment of assets held for future use for ID purposes.
40. In relation to the WACC IM:
- (a) The Commission has appropriately recognised that Auckland Airport made positive changes to our price setting approach as a result of ID which brought our target for returns within an appropriate range.<sup>28</sup> However, we do not agree with the Commission's use of the WACC IM as an estimate of "normal returns" that should be targeted by an airport.
  - (b) Throughout the development of the IMs and the merits review proceedings, we were assured that the Commission and airlines would not treat the WACC IM as a "target return" that airports were expected to align their pricing with. However, this is precisely how the IM has been used in practice, by both the Commission and airlines when considering an individual airport's pricing decisions.

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<sup>27</sup> Air New Zealand *Submission on Section 56G Review of Auckland Airport*, 19 October 2012, paragraph 63.

<sup>28</sup> Final Report, paragraph E9.

- (c) We consider the level of precision assigned to the industry-wide WACC IM as producing an estimate of the appropriate return for an airport creates risks of mistaken interpretations going forward. Estimating the appropriate level of airport returns is a complex area where more information and explanation is needed to avoid these risks.
- (d) We acknowledge the Commission has recognised that the WACC IM is not an "absolute standard", and that returns which fall outside the range by the IM will not necessarily be considered to be excessive. However, given the reluctance by the Commission and airlines to consider any contextual factors to date (including airport-specific factors, expert advice, and current market estimates), it is difficult to have confidence that the WACC IM will be treated as anything other than a "target return" for New Zealand's airports. We think this goes beyond the intentions of the ID regime.
- (e) The Commission's proposal to review the WACC IM for airports next year is deeply concerning - as explained in the NZ Airports submission, it strongly suggests a focus by the regulator on providing further (misplaced) guidance on the level of returns that airports should be targeting in pricing.

41. In relation to assets held for future use:

- (a) It is vitally important for New Zealand's future growth that land for future airport development and expansion is readily available. Auckland Airport considers that we have a responsibility to accommodate future tourism and trade demand, as well as doing our part to increase that demand. We consider it is both responsible and efficient for Auckland Airport to safeguard land for future aeronautical expansion by holding that land (given that there would be considerable risks and costs involved if we did not do so).
- (b) The development of the Northern Runway is our key concern in practice. Under the Commission's IMs, assets held for future use are excluded from the asset base for ID purposes, and the Commission has been clear that it considers the appropriate time to recover the costs of holding and developing any assets is once those assets have been brought into use.
- (c) We consider the pricing approach implied by the IM is impractical, economically inefficient and commercially challenging. In particular, Auckland Airport has received independent economic advice that it would be more efficient, rational, and consistent with workably competitive markets for the cost of holding this land and its subsequent development to be smoothed over time, rather than for a large jump in pricing when this substantial asset is first brought into use. Instead, the Commission's IM implies that charges should be lower when capacity is constrained, and higher when there is no constraint following investment.
- (d) As such, we sought to explore alternative approaches with customers throughout the most recent pricing consultation. This could not be achieved. In response to strong customer pressure, and after considering the fact that Auckland Airport's charges would be assessed against the Commission's view of our asset base (which would exclude land held for future use), Auckland Airport decided to exclude the Northern Runway from the asset base for pricing purposes in 2012.
- (e) This is a key area where we think the ID regime creates an obstacle to us exploring options with our customers to address a very real pricing and investment challenge that Auckland Airport will face in the near future. The prescriptive nature of the IM and its very strong signal about what the

Commission considers appropriate for pricing purposes provides legitimacy for airlines to advocate the use of that approach in pricing, and to strongly resist any discussion of alternatives. In practice, this means that the ID regime provides support for airlines to side-step important discussions about how the costs of this critical development will be met over time. Again, we think this goes too far for an ID regime.

- (f) The outcome is that the regulatory regime is having an adverse impact on our confidence to invest. It is not realistic to expect that our customers will be comfortable with a price increase at the time of commissioning the Northern Runway that not only recovers the costs of the significant new investment (including a reasonable return on investment), but also incorporates significant holding costs that Auckland Airport is currently incurring.

- 42. In our view, these are two areas where the ID regime is going too far. These were issues we identified to the Commission from the outset as crucial for attention. As the ID regime moves into its "business as usual" phase, we look forward to ongoing discussion about how these aspects of the ID requirements are causing concern in practice, and how the scope and structure of ongoing monitoring and analysis can alleviate our concerns that fair and reasonable returns may be incorrectly assessed in the future.



<b>PART C: THE COMMERCE ACT SECTION 56G REPORTS</b>
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43. In this section, we provide our views on the Commission's section 56G process, and the findings set out in its reports. In doing so, we address the following questions from the discussion paper:
- (a) Are there any reasons why the Commission's analysis should not be accepted?
  - (b) Are there any matters that were not considered that you believe may have affected the Commission's conclusions?
  - (c) Are there any new matters or information that may affect any of the Commission's conclusions regarding the effectiveness of ID for the three major international airports? If so, how?
44. In our view, the Commission's reports should generally be accepted. They demonstrate that the regime is effective. The focus should now shift to moving into the "business as usual" phase of the regime.

**The section 56G reports have revealed a healthy airport sector**

45. The Commission's section 56G report found that Auckland Airport's conduct and behaviour is effectively promoting the long-term benefit of consumers across a wide range of performance areas. In particular, we were pleased the Commission's report for Auckland Airport recognised that:
- (a) Innovation at Auckland Airport is appropriate (including that we facilitate airline-led innovation) and ID regulation is effectively promoting incentives in this area.<sup>29</sup>
  - (b) The quality of service at Auckland Airport is very good, and meets the demands of passengers and airlines.<sup>30</sup> Further, the Commission concluded that ID regulation has not negatively affected existing incentives to provide services at a quality that reflects consumer demands.<sup>31</sup>
  - (c) ID regulation is effectively promoting efficient pricing at Auckland Airport, including that improvements in the efficiency of pricing have taken place,<sup>32</sup> that Auckland Airport explicitly considered consumers' demand responsiveness when establishing our pricing methodology,<sup>33</sup> and that Auckland Airport set prices transparently - having regard to price stability and certainty for stakeholders when doing so.<sup>34</sup>
  - (d) Auckland Airport is limited in its ability to extract excess profits, and has set prices to target returns within an acceptable range.<sup>35</sup> We agree with the Commission that the results of the merits review proceedings would bring the estimate of our forecast returns further within a reasonable range (and we support the Commission's pragmatic decision to make this clear without the need to re-run its profitability analysis).

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<sup>29</sup> Final Report, paragraph B3.

<sup>30</sup> Final Report, paragraph C3.

<sup>31</sup> Final Report, paragraph C5.

<sup>32</sup> Final Report, paragraph D5.

<sup>33</sup> Final Report, paragraph D25-26.

<sup>34</sup> Final Report, paragraph D31.

<sup>35</sup> Final Report, paragraph E3-E6.

46. Although we agree with the Commission's findings, there are a number of areas where we do not agree with the analytical approach used to assess various areas of airport performance (both the approach taken for Auckland Airport, and for the section 56G reports more generally).
47. Our particular concern is in relation to profitability. We are pleased the Commission's analysis has confirmed our strong belief that our forecast returns are reasonable. At the same time, although it is absolutely correct that ID regulation is effectively constraining our ability to make excess profits and that Auckland Airport has set prices to earn a fair and reasonable return going forward, we have some concerns with the way the Commission has reached that conclusion.
48. In particular, we consider there are risks in a profitability analysis that turns on the output of a technical calculation to determine whether ID regulation is effective. In our view, focusing on a modelling-based view is naturally prone to assumptions and errors, and does not fully reflect the broad picture of Auckland Airport's profitability or the long-term benefit that Auckland Airport is delivering for consumers and the economy. These concerns have introduced a risk that our fair return may be incorrectly considered to be excessive in the future. We also think that this analytical approach has meant that positive progress across the airport sector has not been fully recognised, when our understanding is that ID regulation has had a constraining impact on profitability at all three major international airports.
49. To put this in a blunt manner, at the time we set prices we had no idea how the Commission would assess our forecasts. It ultimately chose a complex internal rate of return ("IRR") model which produced "an answer" that the Commission considered to demonstrate Auckland Airport was limited in its ability to target excess profits - the right conclusion from Auckland Airport's perspective despite areas of disagreement with the Commission's model. However, there are a multitude of ways in which the Commission could have adjusted its IRR model, which could have produced a different "answer". Such potential modelling choices do not change the fact that at the time it set prices, Auckland Airport was targeting what it considered to be a fair and reasonable return, based on guidance available at that point.
50. Putting these concerns to one side, we think the most constructive way forward for the ID regime is for the Commission's reports to be accepted, subject to an acknowledgment that the best way to assess whether airports are limited in their ability to extract excess profits remains an issue that will be discussed into the future. In our view, the focus should now turn to the ongoing operation of the ID regime.

#### **New matters and issues not considered**

51. We agree with MBIE that the Commission's further work on WACC does not impact on the section 56G findings.
52. We are also pleased to see that MBIE has identified the positive and constructive actions taken by Wellington and Christchurch Airports to respond to the feedback given by the Commission in its section 56G reports. In our view, this type of conduct is a very clear sign that the ID regime is working as intended, and that there is a very clear and credible threat of further regulation that is having a considerable impact on airport performance. We think such factors are very relevant to MBIE's review of the effectiveness of ID regulation and the broader regulatory environment for airports.

**PART D: THE SCOPE OF FUTURE SUMMARY AND ANALYSIS****Overview**

53. This section provides our views on the scope of future summary and analysis by the Commission. In doing so, we respond to the following questions from the discussion paper:
- (a) In areas where the Commission has been unable to draw a conclusion on the effectiveness of ID, do you consider it likely that conclusions would be able to be drawn in future?
  - (b) What scope of future analysis by the Commission would ensure that sufficient information is readily available to interested parties to assess whether the purpose of Part 4 is being met?
54. In our view, ID regulation has been effective in its early days, and a time series of data will be available over time which will allow interested parties to assess airport performance across the range of objectives in the Part 4 purpose statement. Given that Part 4 regulation is designed to promote long-term outcomes, it is important that summary and analysis does not seek to jump to quick conclusions. Further, although data over time will be important, it is important to recognise that a true understanding of airport performance requires qualitative judgment and cannot be reduced to models and spreadsheets.
- Drawing conclusions over time in areas where it was "too early to tell"**
55. The section 56G reports consider that it is "too early to tell" whether ID is effective in relation to investment, efficiency, and sharing of efficiency gains. Nevertheless, we think the early signs are positive. In particular:
- (a) The section 56G report records that Auckland Airport's forecast capital expenditure is considered to be reasonable and prudent by our customers in light of our demand forecasts, consumers' willingness to pay, and the quality expectations of consumers.<sup>36</sup>
  - (b) Although we agree that information on actual operating expenses will help to add to the picture of Auckland Airport's operating efficiency over time, again we consider that performance in this area is currently positive. For example, the Commission's report for Auckland Airport considered that Auckland Airport's conduct indicates that we seek to improve our operating efficiency,<sup>37</sup> and noted that we have forecast a decline in operating expenditure over the current pricing period.<sup>38</sup>
  - (c) Auckland Airport seeks to create a wide variety of efficiency gains, including through operational and process improvements that generate time savings as well as cost efficiencies for airlines and passengers.
56. We think ongoing disclosures will provide a considerable amount of information for interested parties to assess how effective ID regulation has been in providing the right incentives for Auckland Airport to behave responsibly and appropriately across a pricing period in all areas covered by the Part 4 purpose statement - including those areas where the Commission considered it was too early to draw conclusions. Future price-

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<sup>36</sup> Final Report, paragraphs H3-4, H16, H18.

<sup>37</sup> Final Report, paragraph G6, G39.

<sup>38</sup> Final Report, paragraph G28.

setting disclosures will also tell interested parties about the incentives that transparency, information, and monitoring provide for Auckland Airport in its next price setting event.

57. However, we caution that developing a good understanding in areas such as efficiency and investment will be more complex than simply comparing forecast to actual information. Actual performance will inevitably vary from forecasts for a number of reasons. Auckland Airport will continue to seek to excel and to outperform its forecasts. Unforeseen circumstances will occur, consumer priorities will change, and market conditions and demand will fluctuate. Changing circumstances may vary the assumptions on which capital expenditure plans were made, and there will inevitably be situations where it is sensible to pause and review short term investment plans to ensure that they remain optimal and efficient in light of the medium to long term vision and investment horizon.
58. As we explain in our disclosure statement for the 2014 financial year, our commitment to optimal and efficient investment can result in changes to the delivery of our investment plan. We believe it is consistent with the nature of ID regulation that we seek to appropriately and efficiently implement investment planning decisions reached through consultation on capital expenditure under the AAA. In our view, efficient and sensible delivery of investment includes the ability to adjust those decisions in response to changing circumstances and in consideration of feedback from our customers. We work closely with customers and other stakeholders where changes to planned capital expenditure projects may be necessary, and we think that the current AAA and ID regime allows us to do this efficiently while ensuring our decisions are transparent and fully explained.
59. In our view, a key outcome from consultation should be a set of forecasts that customers agree are reasonable and robust. As discussed above, Auckland Airport achieved that outcome.
60. Accordingly, although we believe it is likely that conclusions can be drawn in these areas in the future, any assessment approach will need to recognise that:
  - (a) Investment plans can and do change, including in response to customer priorities. We consider it is consistent with the nature of ID regulation that we seek to appropriately and efficiently implement investment planning decisions, which includes the ability to adjust those decisions in response to changing circumstances and consideration of feedback from our customers.
  - (b) Auckland Airport already has very efficient operating costs by international standards. Although we will continue to strive for improvements in our efficiency, there may be situations where our forecast efficiency gains (which have already been passed on to airlines through lower charges) prove to be optimistic in practice.
  - (c) Creating and sharing efficiency gains in an airport context is not limited to reducing operating costs and passing these through to consumers by way of lower prices. Airports can and do generate a wide range of operational efficiencies that have very positive flow on effects, but which are not necessarily reflected in lower prices - such as improved passenger processing time, faster turnaround times for aircraft, streamlined operational efficiencies for our border control partners, and investment in the development of a strategic tourism framework to deliver growth for our country (as well as specific tourism initiatives such as education summits to ensure the New Zealand tourism industry is well positioned for growth).

### The scope of future summary and analysis

61. It is difficult to comment on the scope of future summary and analysis at a detailed level, given that we do not know how the Commission is intending to approach this task. At a high level, we would anticipate that summary and analysis may contribute to:
- (a) Considering whether disclosed information is useful to and valued by interested parties. Given that the provision of this information requires considerable resource from Auckland Airport and is not costless, we would anticipate that the Commission would seek to identify where the disclosure requirements can be streamlined if it is clear that elements have not been useful to interested parties.
  - (b) Considering if aspects of the ID requirements make it difficult for airports to explain aspects of our performance to interested parties. For example, the ID template schedules are very detailed. We would be interested in exploring whether a more free-form disclosure template would give us the space and ability to better describe our performance to interested parties, particularly where we follow different approaches in pricing than the disclosure methodologies.
  - (c) More meaningful acknowledgement that assessing forecast and actual returns is not a precise science.
  - (d) Exploring the interactions and relationships between different parts of airport performance for interested parties, who may not immediately recognise or understand the inherent links between factors such as returns, quality, capital and operating expenditure, efficiencies and innovation. For example, we have concerns that a continuing focus by the Commission and airlines on lowering aeronautical returns may impact on our ability to continue to deliver the high quality airport services that are currently offered (such that, if quality were to drop in the future, we may be at risk of criticism). Going forward, we think it will be important for summary and analysis to acknowledge these relationships, and seek to ensure that ID regulation does not undermine our existing incentives to provide high quality and innovative services.

<b>CONCLUSION</b>
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62. As we have discussed in this submission, Auckland Airport considers that the overall regulatory regime for airports is operating effectively to support high quality outcomes in New Zealand's airport sector.
63. In our view, the reason that Part 4 works well with the AAA regime is because the values of Part 4 can and do align with corporate culture and decision-making. At Auckland Airport, the values of ID align with our customer-focused approach, and continue to be embedded into our business decisions.
64. Part 4 regulation is not the only driver of decision-making at Auckland Airport. But, we see this as a good thing. There are other incentives, besides regulation, that can and do drive positive behaviour that benefits consumers, our city, and our country. We firmly believe that an appropriate regulatory regime should focus on checking that we have the right incentives, rather than seeking to impose incentives.
65. In our view, ID combined with the provisions of the AAA is the right approach to allow these incentives to continue, with additional incentives provided by regulatory guidance and transparency operating in parallel. In our view, this regime has (and will continue to) result in an environment in which:
- (a) the Commission has recognised that Auckland Airport's performance is very positive across a wide range of performance areas that are in the long term benefit of consumers; and
  - (b) Auckland Airport and its substantial customers are closer in our understanding and alignment on key issues than ever before.
66. We look forward to the airport regulatory regime transitioning from a period of intensive development to a "business as usual" approach that focuses on streamlining the ID requirements and acknowledging those areas where the regime can be brought back towards its light-handed intentions over time.

### Appendix A: Key milestones in the development of the ID regime

MILESTONE	DATE
<b>Introduction of new Part 4 of the Commerce Act 1986</b>	
Development and enactment of amendments to the regulatory control provisions of the Commerce Act 1986 (note that formal consideration of airport inclusion in the Act began in 2007 in response to submissions on the review of Parts 4 and 4A of the Act)	7 August 2006 - 14 October 2008
<b>Development of Input Methodologies</b>	
Development of input methodologies	19 December 2008 - 22 December 2010
Merits review proceedings	1 February 2011 - 11 December 2013
Further work on WACC IM	20 February 2014 - ongoing
<b>Implementation of the disclosure regime</b>	
Development of the information disclosure requirements	29 July 2009 - 22 December 2010
Publication of historic price-setting disclosure for 2007-2012 pricing period	27 October 2011
Auckland Airport pricing consultation	15 August 2011 - 7 June 2012
Publication of first annual financial disclosure and disclosure of the initial RAB (for disclosure year 2011)	17 May 2012
Publication of price-setting disclosure for 2012-2017 pricing period (first price-setting disclosure made under the new provisions in Part 4)	2 August 2012
Publication of annual financial disclosure for disclosure year 2012	30 November 2012
Publication of annual financial disclosure for disclosure year 2013	30 November 2013
<b>Review of the disclosure regime</b>	
Commerce Commission section 56G review of the effectiveness of the information disclosure regime (including seeking feedback on the review)	31 May 2012 - 24 April 2014
MBIE review of the information disclosure regime for major international airports	1 August 2014 - ongoing
<b>To come</b>	
Annual monitoring and analysis by Commerce Commission of disclosed information (under section 53B of the Commerce Act)	
Further disclosures	
Amendments to ID and IM Determinations	

## Appendix B: Overview of Auckland Airport's 2011-2012 pricing consultation

CONSULTATION MILESTONE	DATE
<b>Consultation Briefing</b>	
AAA Aeronautical Pricing Consultation Briefing	Week commencing 15 August 2011
<b>First Information Pack - Pricing and Asset Valuation</b>	
First Information Pack released (Pricing Principles and Asset Valuation)	14 September 2011
Meetings with Substantial Customers on First Information Pack	September / October 2011
Release of supplementary information to First Information Pack	October 2011
Written responses received from Substantial Customers on First Information Pack	21 October 2011 (some extensions granted by Auckland Airport)
<b>Second Information Pack - WACC, Demand Forecasts and Capital Expenditure</b>	
Release of Second Information Pack:	
- WACC	10 October 2011
- Demand Forecasts	13 October 2011
- Capital Expenditure	17 October 2011
Meetings with Substantial Customers on Second Information Pack	October / November 2011
Release of supplementary information to the Second Information Pack	November 2011
Written responses received from Substantial Customers on Second Information Pack	18 November 2011 (some extensions granted by Auckland Airport)
<b>Third Information Pack - Cost Allocations and Cost Forecasts</b>	
Release of Third Information Pack (Cost/Asset Allocations and Cost Forecasts)	11 November 2011
Meetings with Substantial Customers on Third Information Pack	November 2011
Release of supplementary information to the Third Information Pack	December 2011
Written responses received from Substantial Customers on Third Information Pack	9 December 2011



CONSULTATION MILESTONE	DATE
<b>Initial Pricing Proposal (including ITF consultation)</b>	
Release of the Initial Pricing Proposal	19 January 2012
Release of the ITF Consultation Paper	8 February 2012
Release of supplementary information to Initial Pricing Proposal	February / March 2012
Individual meetings with Substantial Customers on the Initial Pricing Proposal and ITF Consultation Paper	February / March 2012
Written responses received from Substantial Customers on the Initial Pricing Proposal and ITF Consultation Paper	9 March 2012 (some extensions granted by Auckland Airport)
<b>REVISED DRAFT PRICING PROPOSAL</b>	
Individual meetings with customers on Revised Pricing Proposal	Week beginning 9 April 2012
Written responses to Revised Pricing Proposal	4 May 2012
Airlines' presentations to Auckland Airport's Board on the Revised Pricing Proposal	16 May 2012
<b>FINAL PRICING DECISION released</b>	
Continued consultation on a New Terminal Facility (separate consultation process to be notified to Substantial Customers in due course)	Second half of 2012