

18 August 2016

Keston Ruxton
Manager Input Methodologies Review
Commerce Commission
PO Box 2351
WELLINGTON 6140

Dear Keston,

Technical drafting comments on [DRAFT] Amendment to the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010

Attached are BARNZ's comments on the [DRAFT] Amendment to the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010 document released by the Commission. We thank the Commission for the opportunity to comment on the proposed changes. For ease of reference we have not tracked any changes, instead using the comment tool contained in word to record any suggestions or views.

The key matters identified by BARNZ are:

- Whether the provision for proxy cost and asset allocators (in the definition of these terms and in clauses 2.3 – 2.5) to only be available where a causal relationship cannot be established is too prohibitive and likely to prevent pragmatic commercial approaches from being developed.
- Express provision in the next closest alternative approaches process in clause 1.5 that such alternative approaches cannot be used unless the Commission has made a determination providing for the use of that alternative approach.
- Amendment of the definition of net revenue to require that any revenue relating to assets held for future use must be disclosed in schedule 4.
- Deletion of proposed new clauses 3.13 and 4.3 which allow airports to use an alternative methodology with equivalent effect (or if these provisions are not deleted, then amendment of them to require prior approval from the Commission).
- Expand the ability to request the Commission to prepare and release a WACC estimate so that substantial customers of an airport can make such a request.
- Add another pre-requisite to the use of non-standard depreciation that it will promote the long-term benefit of consumers.
- Clarification of the Commission's position regarding whether financing costs for assets under construction are capped at the weighted average of an airport's borrowing costs or the airport's post tax WACC.

We trust that the comments by BARNZ in the Commission's draft document clearly set out BARNZ's positions on these matters and we look forward to working with the Commission in any technical drafting workshop or other form of exchange which it undertakes. As always, if the Commission has any queries, please do not hesitate to contact BARNZ.

Yours sincerely,



John Beckett
Executive Director