Auckland Airport

Auckland International Airport Limited

Specified Airport Services

Annual Information Disclosure

For the year ended 30 June 2015

Executive summary:

- Auckland International Airport Limited (Auckland Airport) remains committed to making a key contribution to New Zealand's economic growth in travel, trade and tourism as part of our day to day decision-making. In the 2013 financial year, we announced our five-year business strategy 'Faster, Higher, Stronger'. We are responding to challenges from changing aviation markets, changing customer expectations and the competitive pressure on the retail and commercial property markets. We are building on our 2009–2013 business strategy, 'Flight Path for Growth', which fundamentally changed our business philosophy, improved our operational performance and developed our focus on 'making journeys better' for all customers and partners of Auckland Airport. We believe that our business strategy is aligned with the purpose of Part 4 of the Commerce Act 1986.
- This disclosure provides a significant amount of information to allow interested parties to assess how Auckland Airport's conduct and performance promotes the long-term interests of consumers. We must do things as efficiently as we can, be innovative, stand in the shoes of our customers, deliver infrastructure and services, contain cost and appropriately share efficiency gains with consumers including airlines, tenants and border agencies. We recognise that our performance will be evaluated based on how we strike the balance between efficient prices, quality services and timely investment in infrastructure.
- We believe that the evaluation of an airport's performance in delivering outcomes which promote the long term interests of consumers is best measured with time series data for each regulated airport. Airport investment by its nature is lumpy and cyclical. Furthermore the variable nature of the industry and its players may lead to decisions and outcomes which, although they may differ from the industry-wide information disclosure benchmarks (including differences from year to year), still promote the long-term benefit of airport consumers. In this disclosure, we provide a summary of performance for this current pricing period (FY13-17).
- When Auckland Airport set its prices in 2012, the Commerce Commission (Commission) considered that, provided the airport was efficient, an acceptable range of targeted returns for the FY13-17 aeronautical pricing period lay between the Commission's mid-point and 75th percentile estimates of the airport's weighted average cost of capital (WACC), i.e. between 7.1% and 8.0% after tax. In its s56G review, completed in July 2013, the Commission found that "Auckland Airport targeted an equivalent return of 8.0% when the information disclosure framework is applied, taking into account Auckland Airport's moratorium on asset revaluations. This target return is within the upper limit of the Commission's acceptable range of returns of 7.1% to 8.0%."
- The Commission's analytical approach for its s56G review reflected the fact that Auckland Airport agreed to a moratorium on asset revaluations for aeronautical price setting for FY13-17 (and for the previous pricing period). While the moratorium remains in place, Auckland Airport will not revalue its assets for pricing purposes. This approach to asset valuation for pricing differs from the Information Disclosure methodology where assets must either be revalued or indexed to inflation, with gains disclosed as income. Consistent with the s56G approach and previous disclosures we present our returns analysis excluding revaluations, as this gives a more accurate picture of our return.
- Auckland Airport has actively invested in sustainably growing demand during the period through a variety of initiatives. We have also responded efficiently to new information by amending operational and capital solutions from the original forecasts. This has resulted in a period to date IRR (excluding revaluations) of 7.5% (based on an ROI of 6.4% in FY13, 7.9% in FY14, and 8.5% in FY15).
- Auckland Airport remains committed to driving outcomes consistent with Part 4.

In FY15, Auckland Airport focussed on the following aeronautical related initiatives as part of our Faster, Higher, Stronger five-year business plan:

- We are growing travel markets. We have an ambitious and innovative approach to helping New Zealand sustainably unlock growth opportunities in travel, trade and tourism. Growing travel markets with our airline and industry partners provides customers with greater choice, more-convenient flight schedules and better value for money, and ultimately makes journeys better for travellers. We work closely with Tourism New Zealand and Regional Tourism Organisations to support scale in marketing Auckland and New Zealand as a destination to consumers and airlines. We respond to airline demand by delivering the operating and infrastructural requirements for new services. Route development investments often have long lead times. FY15 signalled a firming of demand, with the establishment of some seasonal services, an increase in route frequencies and announcements of new routes. In FY15 international passengers, excluding transit passengers, increased by 5.7% to 8.1 million. Domestic passenger numbers were up 4.2% to 7.2 million. In addition, in June 2015 Jetstar announced its intended entry into the domestic regional market signalling further increased airline competition in FY16. Compared to passenger forecasts at the time of pricing, total passenger numbers at Auckland Airport were 3.5% higher in the year ended 30 June 2015 (2.4% higher than the forecast pricing period to date). This variance to the pricing forecast was led by 4.3% higher domestic passenger movements, 3.7% higher international passenger movements and lower than forecast transits.
- We are being fast, efficient and effective. We continue to have high levels of productivity and to collaborate with stakeholders across the airport to identify and implement continuous improvement opportunities, most notably through the Collaborative Operations Group (COG) forum. A range of initiatives have also been undertaken focussed on minimising our environmental footprint with added benefit of cost savings. We continue to invest in technology, such as the Airport Operating Systems (AOS), and to improve collaboration with customers through mobile and online channels such as Airport Collaborative Decision Making (A-CDM). We undertake a number of operating initiatives over the peak period to drive efficiency, rather than building for an unconstrained peak. Ahead of our 2015/16 summer peak, we have established a dedicated project team to focus on airfield and terminal efficiencies (Project Capricorn). The opportunity to achieve efficiencies does have some limitations as a consequence of the complex operational environment within which we and the various airport stakeholders operate and the significant interdependences between our assets and other networks. For example, the significant volume of off-schedule arriving aircraft, driven by factors outside of our control, make it challenging to achieve planned outcomes.
- We are investing for growth. We are investing sustainably to grow demand and providing the necessary facilities to accommodate that growth. Significant progress has been made towards a major expansion of the international departures area to increase our ability to accommodate new passenger growth, border processes and deliver a world-class international passenger experience. We are also investing to accommodate larger international aircraft and the changing domestic competitive environment. We have continued our commitment to engage openly and transparently with Aucklanders and the city's decision-makers on Auckland Airport's long term planning requirements, particularly in respect of the northern runway and the SMART Approaches[1].
- We are delivering for consumers. We continue to provide sound quality outcomes according to Airport Service Quality (ASQ) passenger surveys, while striving to make further improvements. We have developed new services in FY15 targeted at improving customer service and catering to key changes in airline requirements. Our efforts have again been recognised in the international Skytrax awards in which Auckland Airport received the Best Airport in Australia Pacific for the 7th year in a row and 3rd Best Airport in the world serving 10-20 million passengers.

[1] A website was developed providing information on the SMART Approaches - http://aucklandflightpathtrial.co.nz/

Introduction

The purpose of Annual Information Disclosure (ID), as outlined in the Commerce Act 1986, (the Act) is for Auckland Airport to provide sufficient information to enable interested parties to assess Auckland Airport's performance in meeting the purpose of Part 4 of the Act. It also allows the Commission to analyse performance over time, and in comparison with Wellington Airport and Christchurch Airport.

As set out in earlier disclosures, Auckland Airport is committed to the ID regime and working with the Commission and our passengers and customers to ensure the purpose of Part 4 of the Act is fulfilled. We believe the ID reporting regime provides an effective means for explaining an airport's performance in relation to its regulated services, including pricing arrangements, quality of service, capacity constraints and capital requirements.

We encourage interested parties to take care when interpreting variances between actual performance and the ID benchmarks, and when making comparisons between airports. We have sought to explain material variations between ID benchmarks and forecasts.

This disclosure is the third disclosure relating to the pricing period applying from 1 July 2012 to 30 June 2017 (FY13 - FY17). Notwithstanding some minor allocation rule changes described in schedule 10b, Auckland Airport's analytical approach to preparing the disclosure statements has been consistent since the commencement of disclosure reporting.

This disclosure report complies with the ID requirements and provides contextual analysis of how Auckland Airport is focused on benefiting consumers through:

1. **Identifying and implementing innovations**
2. **Having an appropriate incentive to invest**
3. **Providing services of the quality and range required by consumers**
4. **Generating efficiencies and sharing the benefits**
5. **Earning a fair and reasonable return on the investments made**

In the following sections we summarise our philosophy[2] towards generating these benefits and provide examples for the 2015 disclosure year. We cross refer to the individual disclosure schedules where relevant.

[2] For further detail refer to Disclosures for FY13 and FY14.

1. Identifying and implementing innovations (Schedules 6, 11, 12, 13, 14, 15)

1.1 Innovation philosophy

Innovation in aviation can lead to improvements in operational performance, reliability performance, efficiency of expenditure, efficiency of investment and to the success of route development initiatives. It can also lead to reductions in operational risk which might not be obvious to the travelling public. As acknowledged by the Commission, innovation is driven by the prospect of earning higher profits and a greater than normal return.[3] Specific innovation examples are provided in section 1.2 below.

Auckland Airport is continuously focused on the introduction of new processes and technologies to improve departures, arrivals and border processing. Successful initiatives can increase the propensity to travel and increase the capacity of existing infrastructure, thus deferring capital expenditure on new infrastructure.

Innovation leads to operational improvements such as those outlined in Schedule 15. It also improves capacity utilisation of terminal and airfield facilities (refer to Schedules 12 and 13) and can increase reliability and performance (refer to Schedule 11).

Innovation can also reduce actual expenditure against forecast expenditure (refer to Schedule 6), by identifying new ways to utilise existing assets, increase capacity and delay capital investment.

Auckland Airport's aviation industry partners are also committed to the identification and development of innovations, as part of a focus on greater collaboration. Each time-saving initiative helps with reliability, customer satisfaction, capacity utilisation and operational improvements. Auckland Airport actively facilitates the identification of opportunities and priorities for implementation of these. In such situations, the benefits of innovation are likely to flow either directly or indirectly to consumers. Auckland Airport's innovation initiatives range from modest commitments of management time and effort, to significant investments which create value for the industry (such as when the provision of infrastructure leads to superior economic, social or environmental outcomes).

Auckland Airport has a history of innovation, in both passenger experience and airfield operations processes. This was outlined in earlier disclosures and has continued in FY15. One of the key drivers of innovation is destination competition. To compete effectively with the likes of Sydney, Melbourne, Brisbane and Christchurch Airports, our airport processing, operations and product offer must be as good, if not better, than those provided by our competitor airports. This helps inform the terminal environment design, which ultimately supports passenger satisfaction.

Innovation manifests itself in a number of different ways including leading to the development and delivery of new goods or services, and/or more efficient production techniques. Innovation is sometimes evidenced with the recognition of being best in class or leading. It is also important to remember that innovation is by its very nature not without risk and that on occasion innovation will not result in a successful or wholly successful outcome.

1.2 Our innovations in FY15

Airport led innovation – new systems / processes

- Aeronautical Operating Systems (AOS) upgrade - is a $4m investment in technology that delivers real-time data to operational partners to support better asset utilisation and capacity management. The data exchange development was materially completed in FY15 and has the potential to be world leading thanks to the close and positive engagement we had with our airport stakeholders.
- Passenger flow management technology - leading edge Bliptrack technology was installed to enable real-time tracking of passenger flows which allows the targeted deployment of resources to the area of the process with the greatest requirement.

[3] Paragraph B2 of Auckland Airport s56G report.

- Security system – a new and advanced security access control system was installed in FY15. It is key to ensure that the airport has a comprehensive and current security access capability that can meet the security challenges and threats as these continue to develop and provide for better health and safety management outcomes on the airfield.
- Computer Aided Simulation Technology (CAST) planning model – in FY15 we further developed this tool, using it in our modelling of capital development, such as the new emigration facility. It was also used to help understand and co-ordinate our operational targets throughout the year leading up to the 2015 / 16 summer peak. This has allowed us to predict potential concern areas in advance so we can work collaboratively on operational and capital solutions.

Airport led innovation – product / service innovations

- Four Seasons, Five Senses – in FY14, we identified an opportunity to improve year round tourism growth from the Guangdong province in China by marketing tourism products for all seasons, promoting the unique and iconic activities and experiences that our country has to offer. This initiative directly supports the New Zealand Tourism Industry Association's Tourism 2025 framework objective to grow sustainable air connectivity and increase New Zealand tourism demand in the off-peak seasons. The innovation was honoured at the Routes Asia 2015 Airline Marketing Awards. Auckland Airport won 'Best Overall Marketing Services; Airports Under 20-million Passengers,' in an award decided by the airline community.
- We are leveraging technology and partnerships to improve the overall passenger experience, with a focus on bringing timely information to passengers through their journey. An example of this is partnering and integrating Auckland Airport and TripIt information for users of Auckland Airport facilities. TripIt is one of the world's most popular travel-organising app which enables travellers to organise their travel plans, reservations for parking and lounge, duty-free purchases as well as receive real-time flight alerts, track reward points and other benefits. This is part of a series of initiatives that Auckland Airport is undertaking to make the travel experience better for all airport users, regardless of airline, class of travel or nationality.

Facilitation of innovations with others

- A-CDM – Auckland Airport was the first airport in New Zealand to go live with A-CDM, which will be rolled out in stages. A-CDM aims to improve overall efficiency, predictability and punctuality of airport operations. It promotes the sharing of real-time and predictive operational information, enabling airport partners to make the right decision on the basis of situational awareness. The decision-making process is enhanced by taking into account the preferences and constraints of all airport stakeholders.[4]
- Departures project – Auckland Airport continued to support the New Zealand Customs led project which targeted incremental improvements to the departures process. This three way collaboration with the Civil Aviation Authority won the Deloitte Fujitsu State Service Excellence in Achieving Collective Impact Award at the 2015 Public Sector Excellence Awards. The improvements include a shared glasshouse (control room) where Customs and Avsec on duty sergeants and supervisors work side by side to manage the departures process together (Emigration and Security Screening). This delivered better alignment of resource levels across the entire process and built stronger, closer working relationships between the two agencies. Another success has been the implementation of a preparation area ahead of the processing points to allow passengers to be better prepared and therefore be capable of being processed more quickly.

[4] For more information refer to http://www.aucklandairport.co.nz/cdm.

2. Having an appropriate incentive to invest

2.1 Investment philosophy

Auckland Airport is committed to enhancing its contribution to New Zealand's economic growth and productivity. We continue to take steps to increase productivity by investing in smart airport infrastructure and air-service development. We are also initiating and promoting programmes to attract more tourists and trade to New Zealand, in conjunction with our key stakeholders. It is crucial that we develop necessary infrastructure to support the predicted growth in demand and optimise the efficiency of the airport assets.

During 2013 and 2014, Auckland Airport undertook a masterplanning process to establish its 30 year vision. This process considered national and global factors such as demographics, population and tourism growth, aviation trends, the economy, the regulatory framework, globalisation, technology, resource constraints, security and environmental responsibility. It also included, and took account of, the feedback gleaned from extensive community and stakeholder engagement.

In March 2014 we published a distillation of the Masterplan called Airport of the future: Our vision for the next 30 years. Our vision is to build a world-class airport that supports airlines and aviation-related businesses to be economically successful and to boost the Auckland and New Zealand economies.

Our investment philosophy remains that:

- Sustainable demand growth in passenger and flight numbers will be the trigger for our development.
- Investments should be efficient, resilient and flexible, consider environmental and community impacts.
- A high quality experience for airlines and passengers should be planned and built in stages to ensure the vision is affordable and implementable.
- A long-term planning horizon is important as it provides transparency for stakeholders, and clarity for Government and Auckland Council so they appropriately plan for the future.
- A reasonable long-term return should be earned on investment.

The capital investment priorities during this period have been to:

- Protect and enhance core operations to the close of FY17.
- Relieve the operational constraints of the airport assets with a five to ten year horizon.
- Use a programme management approach to enable a pathway for future capital development that is aligned with our strategy and the master-plan.
- Demonstrate capital efficiency in a capital planning environment by minimising whole-of-life spend.
- Innovate to optimise the use of the existing facilities.

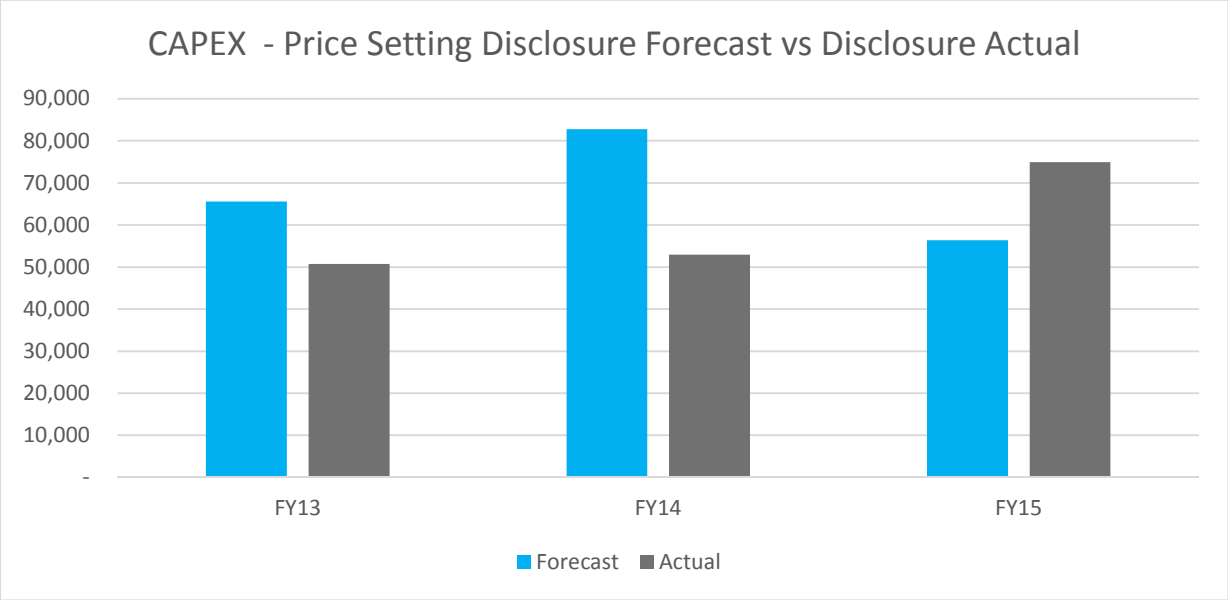
Further information on period to date investment is summarised in Schedule 6.

As noted in earlier disclosures, investment in large, long-lived airport assets requires careful consideration and the balancing of both short and long-term interests. The delivery of the 30 year Master-plan in FY14 signalled a change in Auckland Airport's investment requirements. As detailed last year, we have established a new team and processes, working with the airlines to re-purpose the original capital plan for the remainder of the pricing period. We outline below period to date capital expenditure and describe the FY15 priorities for capital planning, major common user projects and other projects.

2.2 Period to date capital expenditure

For the period ended 30 June 2015 actual capital expenditure was $18.5m or 32.9% above the pricing forecast. Consequently, this has closed the gap between period to date, capital

expenditure to $26.2m, within 12.8% of the pricing forecast. The time series comparison of actual to forecast expenditure is shown in the graph below.



As set out in previous disclosures, once it became evident that there was a prospect of a change to critical masterplanning assumptions concerning the new domestic terminal location, a measured approach was taken to executing planned capital spend in FY13.

Building on the Core Capacity project undertaken in FY14, the focus for FY15 was undertaking the planning activities to inform the Masterplan pathway and delivering the repurposed capital plan as well as day to day capital replacement. Capital investment is expected to lift materially above the pricing forecast in FY16 and FY17 and could potentially exceed the original FY13-17 pricing forecast.

All major potential changes to capital expenditure plans have been discussed with the Board of Airline Representatives New Zealand (Inc) (BARNZ) and BARNZ feedback considered as part of the capital planning process. Auckland Airport has continued to meet with the BARNZ Cost and Regulatory Committee, BARNZ subject matter expert groups on particular projects and update broader stakeholders as part of the regular engagement that takes place as provided for in our Quarterly Engagement Plan.

2.3 FY15 capital planning activities to inform the Masterplan pathway

- In FY15 the initial strategy was developed in relation to transport infrastructure and utilities. Strategy work was also commenced on terminal development.
- An Airport Development Plan (ADP) was created to capture key infrastructure interdependencies and a range of capital plan scenarios. This model enabled us to eliminate certain scenarios that did not align to our guiding principles of being stageable and affordable to consumers or Auckland Airport.
- Proposed Auckland Unitary Plan (PAUP) - Auckland Airport's planning team and consultants made submissions on the PAUP to position and seek inclusion of the Airport's land-use requirements within the PAUP. Our aim is to protect the development pathway of the airport through revised land use controls and related matters. The principal airport hearings were complete in FY15, however the process is anticipated to continue into FY18.

Notice of Requirement (NOR) The Masterplan indicates the need for a long-haul capable second runway in the future. During FY15 Auckland Airport consulted with major airlines in relation to proposed runway options. Auckland Airport is now working on an NOR to lodge with Auckland Council, probably in FY17, but subject to progress with the adoption of the PAUP.

2.4 FY15 major common user projects

- Integrated Terminal Building Phase 1 – Baggage reclaim / baggage hall extension: The sixth (and Code F compliant[5]) reclaim belt was delivered for the 2014/2015 summer peak. Design has been progressed towards the intended delivery of a seventh (also Code F compliant) reclaim belt for FY16. While this additional baggage reclaim belt was not envisaged for delivery in the current pricing period, it was agreed, in consultation with our airline customers, to bring this spend forward within our 5 year priced capital commitment.
- Integrated Terminal Building Phase 2 – Expansion of the inbound Ministry of Primary Industries (MPI) processing and queuing space in the international terminal was completed in November 2014.
- Integrated Terminal Building Phase 3 – Emigration and airside dwell: In early FY15 and following Masterplan outcomes the Core Capacity Feasibility study confirmed the preferred location of a new emigration facility. Design progressed through FY15 and identified the aeronautical and non-aeronautical requirements for increased airside space. Significantly enhanced emigration capacity is targeted to be delivered by the 2015/16 summer peak. The second stage will deliver the balance of new space by the 2016/17 summer peak.
- Integrated Terminal Building Phase 4 – Pier B gate lounge and contact stands: A ground boarding lounge was originally planned for construction in FY15. As part of the repurposing discussion with airlines, this was deferred. However due to changing market conditions and increased airline demand for Pier B, particularly contact stands, a feasibility study was commissioned and neared completion for both the ground boarding lounge and further contact stands in FY15. Additional Pier B contact stands were originally forecast to be investigated during the FY18-FY22 pricing period.
- Check-in: Through engagement with the airlines we reached agreement on the need for a common-use bag drop, but found no common agreement amongst airlines around the customer facing check in solution. Priority is being given to a feasibility study on the design solution for an enhanced outbound baggage capacity which is a requirement for a common use check-in facility.

2.5 Other projects

- We have been conscious that the repurposed capital expenditure plan has impacted on the timing of capacity growth expenditure. Therefore, whilst material projects are in the design stage, we have brought forward some asset replacement expenditure.
- An area of unforeseen capacity growth has been the domestic regional market. This market has been challenging to predict. During FY15 it was characterised by material fleet changes, a change in strategy for Air New Zealand, a resurgence of the smaller niche regional carriers and the announcement by Jetstar that it would expand into the regional market. During this period, we sought to actively encourage more efficient use of regional stands off peak and signal the cost of operating in the peak. On the basis of airline requests, we have invested in further regional stand capacity. Further stand and lounge capacity has been designed and will be delivered in Q1 of FY16.
- We have also continued to invest more in protecting for future operational capacity, in particular new technology which supports efficient use of assets and sharing of information with network partners (e.g. AOS and A-CDM).
- We responded to Air New Zealand's request for a new premium lounge proposition. Through a collaborative process a preferred site was established for the development of this lounge and a commercial agreement reached for the shell and core facility to be provided by the airport and fitted out by Air New Zealand.

3. Providing services of the quality and range required by consumers (Schedule 14 and 15)

3.1 Service philosophy

[5] Code F aircraft operating or expected to operate at Auckland Airport in the short term are Airbus 380 and Boeing 747-800.

Auckland Airport considers the quality of the service we provide to be critical to our performance as New Zealand's international gateway and largest domestic airport. If our service is below expectations, then this negatively impacts our business and has flow on effects for all travel, trade and tourism businesses that rely on Auckland Airport. Auckland Airport plays an active role in enabling capacity growth to and from New Zealand.

Auckland Airport is focused on continually making improvements to the customer and passenger experience, both directly and alongside airport partners, through improved quality and choice of services. Schedule 14 of these disclosure statements reports on passenger service indicators, which are one measure of Auckland Airport's ability to provide services of the quality and range wanted and expected by consumers.

Auckland Airport uses a number of methods to understand and improve the quality of services required by customers and to assess customer satisfaction. These include:

- Qualitative and quantitative market research that assists in understanding consumer needs and preferences.
- Membership of the global ASQ service rating system. Outlined in more detail in Schedule 14, ASQ is a customer satisfaction analysis and benchmarking programme.
- Placement in the World Skytrax World Airport Awards.
- Review of direct feedback on performance to identify where quality issues may be emerging.

Over time, changes in the quality and range of products and services across the business improves consumer choice. It also encourages supplier innovation and competition to help grow the size of the overall market.

Schedules 11 and 12 point to the quality of service delivered in FY15 to airlines and passengers. Initiatives aimed at improving efficiency or service quality are detailed in Schedule 15. Examples are included in sections 1.2 (our innovations in FY15) and 3.2 (service quality updates).

Auckland Airport believes the best measure to calculate reliability of these core services is the percentage of time the asset is available for use. This information is provided in the commentary section of Schedule 11.

In this section we provide evidence and examples of how Auckland Airport quality and choice has improved for passengers at Auckland Airport and quality and service has improved for airlines.

3.2 FY15 Passenger service quality updates

Auckland Airport is committed to continual monitoring of, and investment in, service quality to ensure our service standards are maintained at high levels. The ASQ customer survey results are discussed regularly with our executive Leadership Team and our Board and we benchmark our performance against a panel of similar airports. The panel comprises 28 airports in western countries, which are key destinations from Auckland and are subject to capital disciplines and of a similar size (10-25m passengers). Passengers rank their satisfaction with airport facilities and service using a five point scale, where 1 is poor and 5 is excellent. Overall international terminal satisfaction scores are very good and have remained in the range of 4.10- 4.35 since 2012 and 4.10-4.20 for the items of focus for regulatory reporting. In FY15, a number of capital and operational investments were undertaken which have allowed the airport to broadly maintain consistent service levels, whilst experiencing 5.6% growth in international arrivals. Passenger satisfaction scores for the domestic terminal facilities are good to very good.

A further external indicator of service quality is the Skytrax World Airport Awards. In 2015 Auckland Airport was voted best airport in Australia-Pacific, for the 7th year in a row, and 3rd best airport in the world serving 10-20 million passengers.

Passenger experience initiatives

Auckland Airport continues to refine and refresh the terminal to support passenger satisfaction. Initiatives aimed at providing choice and responding to consumer needs in FY15 included:

- Roving Customer Service Agents: a successful trial of roving customer service agents who identify passengers with unexpressed needs (for example, a parent travelling with three children needing help with luggage or a passenger needing language translation).
- Customer Service Agents and Forecourt Marshals were trained to better manage diverse cultural needs.
- Summer students were employed to support MPI and Customs over the peak.
- Arrivals hall and baggage reclaim expansion: The arrivals hall was modernised, significantly improving the passenger experience in this area.
- The Airport Concierge Product: a range of new services, at various price points, for consumers seeking additional help at the airport.
- We also facilitated downstream qualitative improvements such as a collaboration with China Southern Airlines and Al Brown to improve the airline's on-board food service and promote New Zealand's excellent food and wine products and the Four Seasons Five Senses Programme aimed at promoting the first tranche of seasonal products marketing New Zealand to high value Chinese.

3.3 Consumer choice – enabling new route development opportunities

We also play an active role in enabling greater consumer choice. Below we outline the nature of our role and then provide examples of the material improvements in choice emerging at Auckland Airport for consumers.

Consumers will benefit from greater choice and/or price competition from new services and capacity to Auckland.

In FY15 Auckland Airport continued to work closely with airlines, Tourism New Zealand and Regional Tourism Organisations to drive growth in travel, trade and tourism. As part of our commitment to sustainable growth in air connectivity and improving the productivity of tourism assets we invested materially in joint marketing with airlines and continued to invest further in non-airline specific initiatives.

In parallel we worked to deliver the operating and infrastructural requirements to enable new services. Considerable airport expertise is applied, particularly during the start-up phase, to familiarise new entrants with the necessary steps to launch a new service to New Zealand and ensure we provide the required service when the route is launched.

Examples are provided below of new choices available to consumers in FY15 and announcements effective in FY16. Auckland Airport played a key role in enabling these services, but the commercial terms and nature of operating assistance varies depending on the route announcement.

Additional travel choices effective FY15:

- As part of a strategic alliance with Singapore Airlines, Air New Zealand commenced its new Auckland to Singapore daily service in January 2015, with Singapore Airlines operating an Airbus A380 on its remaining daily service between Auckland and Singapore on a seasonal basis. We estimate that this will see a total additional capacity increase of at least 100,000 seats in the first year.
- Qantas resumed its twice-weekly A330 service between Perth and Auckland, extending the service from Dec 14 to Apr 15, adding an additional 12,000 seats this summer peak period versus last year.
- China Eastern Airlines operated a seasonal service for the first time on the Auckland to Shanghai route from December 2014 to March 2015.

Additional travel choices secured for FY16:

- Philippine Airlines announced that it intends to launch a new A320 service commencing in December 2015. The new Manila to Auckland route with a stopover in Cairns, will operate four returns flights per week, deliver 64,500 seats, and provide connectivity to a growing visitor market.
- Air New Zealand's new Auckland to Houston service will commence in December 2015, operating up to 5 flights per week on 777-200ER, adding 126,000 seats to the American market.
- China Southern Airlines followed on from the success of its summer season double-daily service on the Canton route, extended the FY15 schedule to a year-round double-daily service from October 2015. The daily up-gauge from 788 Dreamliner to 777-300 will add 35% capacity.
- Air New Zealand will launch a new service between Auckland and Buenos Aires commencing December 2015. The 777-200 aircraft will operate three return flights per week (95,000 seats per year).
- China Eastern's seasonal service was so successful that the airline is now expanding to four flights per week year-round from September 2015, adding 100,000 seats per year on this route, which is also serviced daily by Air New Zealand.
- Jetstar announced its intention to compete on domestic regional routes.

Whilst trading conditions were generally more positive in FY15 than FY14 for aviation routes in the region, we also saw some reductions. Qantas reduced its weekly services to Melbourne and Sydney, while Jetstar terminated the Adelaide service in August 2014.

3.4 FY15 Service to airline customers

We continue to manage our assets with a view to delivering maximum availability and reliability to airlines. In 2015 material services (runway, taxiway, remote stands, contact stands, baggage sortation and baggage reclaim) were available almost 100% of the time. The total number of interruptions remained very low, at 31 in FY15 (36 in FY14).

Further in FY15 Auckland Airport invested in the following initiatives aimed at improving asset reliability and airport service for airline customers:

- Additional Low Visibility (LVO) Hold Bars: Three new stop bars have created extra holding space, enabling more aircraft to operate on the airfield under low visibility conditions at any one time.
- Increase in Multiple Aircraft Ramp Systems (MARs) stands: A reconfiguration has increased the ability to accommodate airlines with Code F or Code C air frames.
- New facilities and services to cater for increasing up-gauging of aircraft, including:
  - The progressive strengthening of the pavement to maintain service levels.
  - An additional baggage belt to provide a good quality of service for Code F arrivals which place more concentrated demand on facilities.
  - The addition of two Airport Emergency Service (AES) staff per shift to increase the response and rescue level from Category 8 to Category 10, catering for increasing A380 flights.
- The AES marine response capability was materially improved following a fleet overhaul and modernisation including the commissioning of two new vessels and a new Griffon Hovercraft able to respond to marine emergency. Our new marine rescue fleet provides world leading safety technology and ensures we will continue to comply with international requirements as the number of aircraft and passengers increase.
- We supported the SMART Approaches trials to test how new aircraft approaches can provide better safety, security and environmental outcomes with benefits to network partners beyond Auckland Airport.

3.5 Other stakeholders

Auckland Airport has a noise mitigation programme designed to reduce noise impacts and meet our obligations to the community. We also contributed $0.3m in 2015 to the Auckland Airport Community Trust to support learning, literacy and life skills. This Trust was established in 2003 by Auckland Airport as a condition of the Environment Court following approval for the company to build a second runway at Auckland Airport.

4. Generating efficiencies and sharing the benefits of those efficiency gains with consumers (Schedules 6, 11, 12, 13, 14 and 15)

4.1 Efficiency philosophy

Efficiency is at the heart of Auckland Airport's strategy to be fast, efficient and effective. It represents our commitment to seeking out efficient operating and capital solutions.

Auckland Airport is recognised for its operational efficiency and has benchmarked well over time in international comparisons of airport operating costs. As can be expected there comes a point where the current mode of operation leads to a plateauing of the efficiencies that can be gained. Indeed diseconomies of scale can occur. We have been investing in a range technologies seeking to achieve efficiencies from a future mode of operation.

Schedules 12 and 13 report on the ability of Auckland Airport to maximise utilisation of the passenger terminal, and the aircraft and apron facilities in order to drive efficiencies for passengers and airlines. Schedules 11, 14 and 15 provide examples of the benefits that are gained through better efficiency. Schedule 6 tracks the operating and capital cost efficiency relative to forecast efficiency.

As well as having a strong growth focus, Auckland Airport seeks to disconnect costs (including capital expenditure) from passenger volume growth wherever possible to help drive down unit cost and reduce pressure on prices over time. We remain committed to seeking out efficiencies year on year and sharing some efficiency gains with consumers over time either through price or quality decisions. At a practical level we achieve this by remaining responsive to customer expectations, even if these were not factored into prices.

Auckland Airport recognises its role within the complex system of tourism and aviation. In some instances we take a leadership role to facilitate broader opportunities to what is a fragmented system, in other instances we take a support role. The willingness of Auckland Airport to absorb the cost of this investment can lead to more efficiencies for the network, which ultimately benefit consumers. This makes the network cost of Auckland more competitive which can only be in the long term interests of consumers.

4.2 Generating efficiencies

Auckland Airport continues to focus on generating efficiencies across the airport. From an operational perspective our joint COG working group continues to be the main forum for identifying and realising system wide operational gains. We also strive to improve sustainability outcomes year on year.

Initiatives targeted at creating efficiencies in the last 12 months include:

- Slot co-ordination: In FY15 we agreed with the airlines to increase the planning assumption around international load capacity from 83% to 86%. This has enabled us to plan to accommodate a substantial forecast growth this coming summer peak.

- AOS technology roll-out: Has enabled more efficient use of resources and infrastructure – such as gates and baggage belts. It offers the potential to increase runway peak capacity.
- A-CDM tool development: To support the AOS we have a collaborative decision making forum which helps to ensure that everyone is focussed on delivering a positive experience for both passengers and the airlines. As a result more information is being shared by those who work at the airport and decision making is more co-ordinated than it ever has been before. By way of example, A-CDM enables the airport to more efficiently receive information on updated aircraft arrival expectations, allocate apron aircraft parking areas efficiently and automatically distribute the information through relevant parts of the system.
- Real time tracking of passenger volume flows: allowing us to direct the footfall into and around the terminal building efficiently.
- Project Capricorn operational efficiency project: enabled increased queuing capacity in check-in in peak.
- Increase in MARs stands: providing greater flexibility to use stands for big or small aircraft, improving utilisation of existing stands.

A range of initiatives have been undertaken in FY15 focussed on minimising our environmental footprint with added benefit of cost savings.

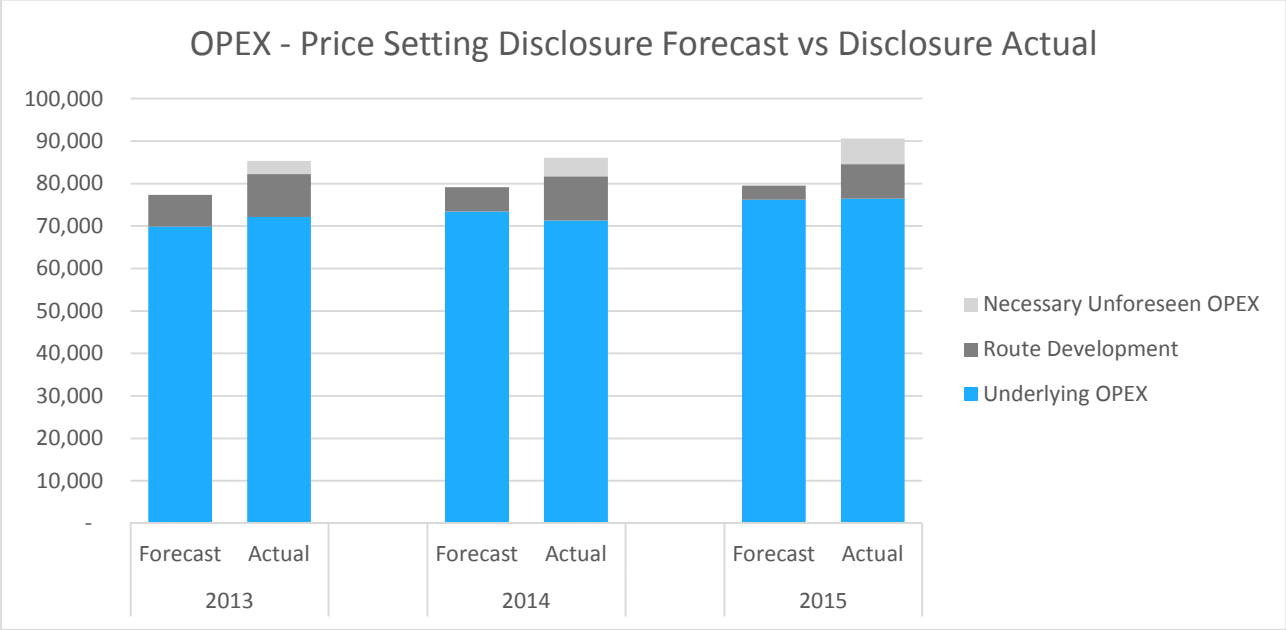
Initiatives targeted at sustainability in the last 12 months include:

- Energy efficiency projects (mainly heating, ventilation and air conditioning) reduced electricity consumption across the terminals by 5%, a total 980,000 kilo watt hour, worth circa $100,000. These were delivered in partnership with government energy efficiency agency EECA.
- Waste minimisation activities increased recycling rates in the terminals from 21% to 35%.
- A development of a specific airside waste transfer facility has enabled the recovery and recycling of aircraft cabin waste for the first time. Initial recycling rates from the facility are an impressive 57%.
- The facility will enable better separation of quarantine waste and facilitate even higher waste recycling rates from the international terminal in the future

4.3 Operating cost efficiency

In this section we summarise operating cost efficiency against forecasts at the time of pricing. It is important to note that efficiency savings were already targeted in baseline prices. Auckland Airport also made clear that we intended to seek out and if successful invest in further route development to drive passenger growth which ultimately helps reduce future costs and charges per passenger.

The following chart summarises operating costs (OPEX) over time and relative to the absolute pricing forecast.



As can be seen in the chart above:

- Auckland Airport has invested more in route development to stimulate more demand than was forecast at the time of pricing.
- A range of necessary unforeseen OPEX (i.e. not anticipated at the time prices were set) has been incurred which Auckland Airport considers are either unavoidable or necessary. Examples include:
  - The transfer of airside boundary management costs from Avsec to Auckland Airport in April 2014.
  - Communication costs associated with engaging with the stakeholders for the SMART Approaches Trials.
  - The increase in the number of our (AES) fire crew to support an upgrade in our status from Category 8 to Category 10 given the increase in airline numbers and aircraft size.
  - Unpredicted rises in global equity markets resulted in higher than forecast OPEX for long term incentives (LTI) to senior management. In late FY15, the Board considered the long term incentive contracts needed material review and commenced a process to reduce these costs going forward. This process was complete in early FY16.

Throughout this document we have provided numerous examples of how we have invested (OPEX or CAPEX) in new areas which create benefits for consumers, airlines and other aviation partners. For ease of reference we repeat some of this on the next page.

4.4 Sharing efficiency gains

In FY15 we invested in a number of initiatives not foreseen at the time of pricing including:

- The trial of new roving customer service agents.
- Commencing a study of the customer journey to best understand customer requirements.
- Announcing a partnership with TripIt to develop an app for travellers.
- Investing in the Four Seasons Five Sense programme. This is a programme of work, founded in research to help the tourism and food and beverage industry to market its product using “Four Seasons, Five Senses” as a marketing umbrella, targeting high value Chinese nationals and improving sustainable air connectivity to mainland China. There was also a focus on development of tourism products and supporting food and beverage tourism business cluster.
- Continuing to invest in tourism initiatives to ensure the New Zealand tourism industry is well positioned for future growth. In 2015, we hosted another Asia Summit, alongside New Zealand’s

biggest annual tourism exhibition to enable industry experts to share their knowledge of New Zealand's key Asian markets, including China, India and Indonesia.

- Continuing our support of the SMART approaches project which delivers benefits to the airlines through fuel savings and the community, through lower emissions and less noise over residential areas.
- Investing further in A-CDM to provide downstream providers such as groundhandlers better real-time and predictive information for managing their resources efficiently, in turn making the network more efficient.
- Developing dashboards as part of AOS to be shared with partners outside the airport to facilitate more collaborative and timely decision-making, positively impacting airlines' on-time performance, operational efficiency and enhancing the customer experience.
- Trialling the sharing of real time passenger tracking in the shared information centre, again allowing stakeholders to better manage resources.
- Completing a stand and apron practices review targeted at improving asset efficiency for ground handlers as part of Project Capricorn.
- Leading a number of initiatives designed to increase awareness of stakeholders of health and safety risks and good practice.

In summary, we have made additional investments over and above what was expected at the time prices were set. We have acted responsibly by taking the time to understand how we can respond efficiently to changing market conditions, add value to consumers and invest in systems that will make journeys at Auckland Airport better.

5 Earning a fair and reasonable return on the investments made

5.1 Returns philosophy

Auckland Airport targets a reasonable return when setting prices once every five years. This is achieved following comprehensive and open consultation with airlines and with consideration of the Input Methodologies and the ID regime and benchmark evidence on the competiveness and reasonableness of charges.

Auckland Airport considers that the ROI should be measured over a period of time rather than at a single point in time. This is particularly important in the context of the long-life infrastructure assets and the corresponding long-term investment horizons that exist in the airport sector.

Auckland Airport believes it is important for regulated entities to have incentives to manage risks, where they are best placed to manage such risk. The airport sector is highly dynamic. At both a strategic and operational level we are responsible for understanding tourism and aviation trends, innovation and efficiency opportunities.

Auckland Airport has a strategy of responsibly seeking to stimulate demand. We make an active investment in marketing with the airlines to increase the probability of demand being sustainable in the long term and reduce the prospect of exits. This strategy has long lead times and significant uncertainty. When this strategy is successful, consumers benefit from greater choice and/or price competition immediately and lower per unit prices at the next price reset. Auckland Airport carries the risk during the pricing period to the extent we invest more than was included in the pricing forecast for route development. If successful this will stimulate additional revenue however the volume benefit lasts no longer than the current pricing period.

We seek to best use the resources we have available to meet changing consumer requirements through the operational or capital expenditure decisions we make. Auckland Airport has carried the risk through PSE2 and responded to airline requirements as material competitive announcements have been made.

Auckland Airport's marginal investor is not NZ domiciled. This means that in order to raise and attract funding from a wide range of sources it is critical for future growth that we can offer the prospect of a return comparable to airports in jurisdictions such as Australia.

As a publicly listed entity, Auckland Airport is subject to, and recognised for, high standards of corporate governance, transparency and responsibility. Auckland Airport must make regular and transparent financial disclosures based on NZ IFRS accounting standards, and must meet stringent NZX and ASX obligations in relation to its governance and financial matters. These processes all serve as a further check on the appropriateness of Auckland Airport's approach and decisions. Auckland Airport takes these responsibilities seriously and continues to strive to deliver very high standards of governance.

Further detail on returns is provided in the financial schedules, summarised in Schedule 1.

5.2 Key departure from the input methodologies

It is important for interested parties to be aware that a key area of difference between Auckland Airport's approach to pricing of aeronautical services and the Commission's approach to disclosing annual returns in these annual disclosure reports is the treatment of asset revaluations. To avoid the short-term variances that can be caused by unrealised revaluation gains or losses, Auckland Airport, with the support of airlines, instituted a moratorium on asset revaluations for the FY08 - FY12 pricing period and has continued this for the FY13-FY17 pricing period to which this annual disclosure relates.

This differs to the Commission's ID requirements for these annual disclosure reports. The ID methodology requires us to revalue the assets annually and include these revaluations in the regulatory profit used to calculate the ROI. We provide supplemented returns information for interested parties of returns excluding revaluations but otherwise ID compliant.

5.3 Variations to forecast

In May 2012 when aeronautical prices were set, Auckland Airport was focussed on ensuring our forecasts were unbiased. However it was not expected that the forecast would be perfect. The aviation sector is simply too dynamic to accurately predict five years ahead. Actual returns are a product of current economic trading conditions, strategic and tactical decisions, prevailing business conditions and current consumer priorities. Through the period we have made operating and capital investment decisions in light of the most current information on actual and forecast demand, service level priorities and solution options.

5.4 Progress to date over FY13-17 pricing period

The following table compares the returns through this pricing period to the returns forecast at the time prices were set, as well as the annual WACC benchmarks per the Commission's methodology excluding revaluations.

Disclosure Year	Commission's benchmark post-tax WACC determination for disclosure year		Post-tax ROI per prescribed ID methodology	Estimated Post-tax ROI excl revaluations
	50th percentile	75th percentile		
FY13	6.49%	7.48%	6.5%	6.4%
FY14	6.77%	7.75%	8.6%	7.9%
FY15	7.37%	8.36%	7.9%	8.5%
FY13-FY15 actual average period to date returns			Average ROI	7.6%
			Period IRR	**7.5%**
FY13-FY17 WACC (per s56G review)	**7.10%**	**8.00%**		
FY13-FY17 Commission's s56 forecast average IRR for Auckland Airport				**8.0%**

As discussed in Schedule 1, there has been some revenue upside from higher than forecast demand. However this has been almost entirely offset by expenditure on areas unforeseen at the time of pricing (outlined in Schedule 6). The one area that is behind forecast is capital expenditure. Auckland Airport considers that this has resulted in a more appropriate investment plan than that which existed at the time prices were set (for further discussion refer to Schedule 6). Capital investment is expected to lift materially above the pricing forecast in FY16 and FY17 and could potentially exceed the original forecast for the entire pricing period. As we go into the next phase of capital growth the trade-offs of price, quality, timing, return will be influenced by the regulatory settings and whether we consider the returns are sufficient to offer the prospect of a normal return to equity and debt holders.

The estimated ROI excluding revaluations for FY15 was 8.5%. Prices were set on the expectation that returns would grow through the period and return on average 8% over the entire five year period. Period to date the IRR is tracking according to expectations at 7.5%, with higher returns over FY16 and FY17 expected to bring the five year average close to target. For a further explanation of the table above, refer to Schedule 1 of the disclosures.

As noted in previous disclosures, no return is being earned on land being prudently held for the future runway and expansion of aircraft and freight services. This land has a carrying value of $256 million. In FY15 we have consulted with significant airlines and invested over $3m in protecting the ability to construct and operate a long haul capable second runway under the Resource Management Act. Holding this land provides qualitative benefits in terms of increased flexibility and will allow future development to occur more efficiently than if there were alternative uses on the land.

COMMERCE COMMISSION NEW ZEALAND

Tidy cursor position and sheet scaling | Set sheet protection | Remove sheet protection

Specified Airport Services Information Disclosure Requirements
Information Templates
for
Schedules 1–17, 23

Company Name	Auckland International Airport Limited
Disclosure Date	30 November 2015
Disclosure Year (year ended)	30 June 2015
Pricing period starting year (year ended) [1]	30 June 2013

[1] *Pricing period starting year of the pricing period in place at the end of the disclosure year. Is used in clause b schedule 6.*

Templates for schedules 1–17 & 23 (Annual Disclosure)
Version 2.0. Prepared 25 January 2012

Table of Contents

Disclosure Template Guidelines for Information Entry

Internal consistency check | OK

Templates
The templates contained in this workbook are intended to reflect the specified airport disclosure requirements set out in Schedules 1–17 inclusive and Schedule 23 of Commerce Commission decision 715 (Commerce Act (Specified Airport Services Information Disclosure) Determination 2010).

Data entry cells and calculated cells
Data entered into this workbook may be entered only into the data entry cells. Data entry cells are the bordered, unshaded areas in each template. Under no circumstances should data be entered into the workbook outside a data entry cell.
In some cases, where the information for disclosure is able to be ascertained from disclosures elsewhere in the workbook, such information is disclosed in a calculated cell. Under no circumstances should the formulas in a calculated cell be overwritten. All cells that are not data entry cells may be locked using worksheet protection to ensure they are not overwritten.

Validation settings on data entry cells
To maintain a consistency of format and to guard against errors in data entry, some data entry cells test entries for validity and accept only a limited range of values. For example, entries may be limited to a list of category names or to values between 0% and 100%.

Data entry cells for text entries
Data input cells that display the data validation input message "Short text entry cell" have a maximum text length of 253 characters. Because of page layout constraints, this text length is unlikely to be approached . The amount of text that may be entered in the comment boxes is restricted only by the capacity of the spreadsheet program and page layout constraints. Should a comment box within a template be inadequate to fully present the disclosed comments, comments may be continued outside the template. The comment box must then contain a reference to identify where in the disclosure the comment is continued.
Row widths can be adjusted to increase the viewable size of text entries.
A paragraph feed may be inserted in an entry cell by holding down both the {alt} and the {shift} keys.

Data entry cells that contain conditional formatting
A limited number of data entry cells may change colour or disappear from view in response to data entries (including date entries) made in the workbook. This feature has been implemented to highlight data being entered that is not internally consistent with other data currently entered, and to hide data entry cells for conditionally disclosed information when the determination does not require the data be disclosed.
a) Internal consistency checks
To assist with data entry, the shading of the following data entry cells will change if the cell content becomes inconsistent with data elsewhere in the template:
Schedule 4, cells N110:N118, J30;
Schedule 7, cells K8:K14, K16:K18, K20, K22, K24, K26, K28, K30, K32.
Should such inconsistency be identified, the shading of the internal consistency check cell C4 at the top of the Guidelines worksheet will also change and the check cell will show "Error" instead of "OK".
b) Conditionally disclosed information
The determination allows in some circumstances that data do not need to be disclosed. Accordingly, the following cells are conditionally formatted to disappear from view (the borders are removed and the interior of the cells takes on the colour of the template background) in some circumstances:
Schedule 1, cells F9:F12, F14:F15, F17:F18, G9:G12, G14:G15, G17:G18;
In schedule 1, the column F cells listed above disappear if the determination does not require Part 4 disclosure in respect of year CY – 2 (CY is the current disclosure year). Similarly, the column G cells disappear if disclosure in not required in respect of year CY – 1.

Schedule 6 comparison of actual and forecast expenditures
Clause 6a of schedule 6 compares actual expenditures with expenditures forecast in respect of the most recent price setting event.
The calculated cells G10:G11, G14:G16, G19:G28 determine, from clause 6b, the forecast expenditure for the current disclosure year.
The calculated cells M10:M11, M14:M16, M19:M28 determine, from clause 6b, the forecast expenditure to date.
The formulas in the calculated cells assume that the current disclosure falls within the five year pricing period. Cell C65 notes which of the pricing period years disclosed in clause 6b coincides with the current disclosure year.

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT

ref *Version 2.0*

($000 unless otherwise specified)

1a: Return on Investment

			CY-2 *	CY-1 *	Current Year CY
	Return on Investment (ROI)	*for year ended*	**30 Jun 13**	**30 Jun 14**	**30 Jun 15**
	Regulatory profit / (loss)		76,083	101,128	96,461
less	Notional interest tax shield		2,829	2,725	3,112
	Adjusted regulatory profit		73,254	98,403	93,349
	Regulatory investment value		1,134,191	1,144,997	1,174,743
	ROI—comparable to a post tax WACC (%)		6.46%	8.59%	7.95%
	Post tax WACC (%)		6.49%	6.77%	7.37%
	ROI—comparable to a vanilla WACC (%)		6.71%	8.83%	8.21%
	Vanilla WACC (%)		6.75%	7.01%	7.64%

Commentary on Return on Investment

Schedule 1 reports on Auckland Airport's return on investment (ROI) on its regulated activities compared with the Commerce Commission's 50th percentile (mid-point) post-tax weighted average cost of capital ("WACC") estimates for the three years ended 30 June 2015 (FY12-FY15).

Auckland Airport's post-tax ROI under the Commission's prescribed information disclosure methodology for the year to 30 June 2015 of 7.95% is within the range betweenCommission's published mid-point WACC estimate for FY15 of 7.37% and the 75th percentile WACC estimate of 8.36%.

We note that:

1. On 31 July 2013 the Commerce Commission completed a s56G review of the effectiveness of the information disclosure regulatory regime under Part 4 of the Commerce Act in relation to Auckland International Airport. The Commission found that "Auckland Airport targeted returns [for PSE2] within an 'acceptable range' … based on a reasonable assessment of how, at that time, it considered the Commission might assess its performance. Auckland Airport set prices such that its expected returns over the whole of PSE2 is equivalent to a return of 8.0% when the information disclosure framework is applied, and taking into account its moratorium on asset revaluations. … this target return is just within the upper limit of an acceptable range of returns of 7.1% to 8.0%, and therefore supports our conclusion that information disclosure is effective in achieving the Part 4 purpose as regards profitability."

2. As in FY14, there are some 'unders and overs' versus forecast for the period to date. An analysis of actual FY13-FY15 financial outturns versus the FY13-FY17 forecasts in terms of aeronautical revenues, expenses and capital expenditure, but excluding revaluations (consistent with the revaluation moratorium for price setting) shows that net returns are very close to the pricing forecast that was endorsed as acceptable by the Commission.

3. As in FY14, higher period to date revenues as at 30 June 2015 have almost entirely been offset by higher than forecast costs. Cumulative after tax regulatory profit for the three years to June 2015 is just $2.2 million (0.9%) higher than forecast. Adjusting also for the $26.2 million shortfall in capital expenditure versus forecast, this equates to a period to date average ROI excluding revaluations that is less than 0.2% higher than our PSE2 price setting forecast.

4. The main cause for the relatively small variation has been period to date capital expenditure. Auckland Airport considers it has taken an efficient approach to investing through this pricing period. As has been signalled in previous disclosures, the capital plan was reviewed in light of a key change within the Masterplan. We note that Auckland Airport is now in a phase of higher than forecast aeronautical capital expenditure. Schedule 6 shows that FY15 allocated aeronautical capital expenditure of $74.9 million exceeded the PSE2 price setting disclosure forecast of $56.4 million by more than $18 million. Auckland Airport's updated capex guidance market release on 22 October 2015 implies that forecast FY16 aeronautical capital will greatly exceed the FY16 price setting forecast of less than $37 million. Based on current expectations, total allocated aeronautical capital expenditure over the full FY13-FY17 pricing period is likely to significantly exceed the total price setting capital expenditure forecast for PSE2. Excluding the impact of lower than forecast period to date capex, the period to date ROI variance would have been well below 0.1%.

Please refer to Schedule 6 for a detailed analysis of period to date operating cost and capital expenditure variances versus the original PSE2 pricing forecasts.

The following table summarises FY13, FY14 and FY15 ROI relative to the s56G review and information disclosure WACC benchmarks per the Commission's methodology and adjusting to exclude revaluations.

Disclosure Year	Commission's benchmark post-tax WACC determination for disclosure year		Post-tax ROI per prescribed ID methodology	Estimated Post-tax ROI excl revaluations
	50th percentile	75th percentile		
FY13	6.49%	7.48%	6.5%	6.4%
FY14	6.77%	7.75%	8.6%	7.9%
FY15	7.37%	8.36%	7.9%	8.5%
FY13-FY15 actual average period to date returns			Average ROI	7.6%
			Period IRR	**7.5%**
FY13-FY17 WACC (per s56G review)	7.10%	8.00%		
FY13-FY17 Commission's s56 forecast average IRR for Auckland Airport				8.0%

For the first time during this pricing period, estimated FY15 post-tax ROI excluding revaluations is actually higher than the reported ROI measure including revaluations per the prescribed ID methodology. This is because the reported figure only includes minimal CPI-indexed revaluations, so excluding those revaluations only slightly reduces the numerator to the adjusted ROI calculation (regulatory profit). But the denominator to the adjusted ROI calculation (regulatory asset base (RAB) excluding revaluations) is approximately $134 million below the unadjusted RAB (owing to prior year revaluations). Together these factors result in reported FY15 ROI including revaluations being lower than the adjusted figure excluding revaluations.

Auckland Airport's FY13-FY15 IRR excluding revaluations of 7.5% on its regulated activities continues to fall within the WACC range considered appropriate by the Commission and is below the Commission's forecast IRR for Auckland Airport over the full five year pricing period (FY13-FY17) of 8.0% that was endorsed as acceptable by the Commission.

* *Return on Investment disclosure is not required for years ended prior to 2011.*

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT (cont)

ref *Version 2.0*

($000 unless otherwise specified)

1b: Notes to the Report

1b(i): Deductible Interest and Interest Tax Shield

106	RAB value - previous year	1,146,937
107	Debt leverage assumption (%)	17%
108	Cost of debt assumption (%)	5.70%
109	Notional deductible interest	11,114
110	Tax rate (%)	28.0%
111	Notional interest tax shield	3,112

1b(ii): Regulatory Investment Value

113	Regulatory asset base value - previous year	1,146,937

		Commissioned Projects	Assets Commissioned—RAB Value ($000)	Proportion of Year Available (%)	Proportionate Regulatory Value
115		Asphalt apron replacement	138	–	–
116		Concrete runway and apron replacement	4,502	16%	739
117		Baggage Reclaim Expansion	13,301	25%	3,316
118		ITB Airbridge refurbishment	1,002	54%	544
119		Short term capacity enhancements (DTB)	5,231	100%	5,231
120					–
121					–
122					–
123					–
124	*plus*	Other assets commissioned	36,613	50%	18,307
125	*plus*	Adjustment for merger, acquisition or sale activity	–	–	–
126	*less*	Asset disposals	658	50%	329
127		RAB investment	60,129		
128		RAB proportionate investment			27,807
129					
130		Regulatory investment value			1,174,743

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

Version 2.0

2a: Regulatory Profit

			($000)
Income			
	Airfield	93,296	
	Passenger Services Charge	140,946	
	Lease, rental and concession income	28,807	
	Other operating revenue	2,807	
	Net operating revenue		265,855
	Gains / (losses) on sale of assets	237	
	Other income		
	Total regulatory income		266,093
Expenses			
	Operational expenditure:		
	Corporate overheads	33,787	
	Asset management and airport operations	22,512	
	Asset maintenance	34,322	
	Total operational expenditure		90,621
Operating surplus / (deficit)			175,471
	Regulatory depreciation		45,711
plus	Indexed revaluation	4,790	
plus	Non-indexed revaluation	–	
	Total revaluations		4,790
Regulatory Profit / (Loss) before tax & allowance for long term credit spread			134,551
less	Allowance for long term credit spread		1
Regulatory Profit / (Loss) before tax			134,549
less	Regulatory tax allowance		38,088
Regulatory Profit / (Loss)			96,461

Commentary on Regulatory Profit

Page 3

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT (cont)

ref *Version 2.0*

($000 unless otherwise specified)

2b: Notes to the Report

2b(i): Allowance for Long Term Credit Spread

Schedule 2b(i) is only to be completed if at the end of the disclosure year the weighted average original tenor of the airport's qualifying debt and non-qualifying debt is greater than five years.

Qualifying debt	Issue date	Pricing date	Original tenor (in years)	Coupon rate (%)	Book value	Term Credit Spread Difference	Execution cost of an interest rate swap	Notional debt issue cost readjustment
Refer to Long Term Credit Spread Attachment					1,194,883	1,483	172	(1,643)
for detailed breakdown of Qualifying Debt and								
Allowance for Long Term Credit Spread calcs.								
						1,483	172	(1,643)

	12
Attribution Rate (%)	12.21%
Allowance for long term credit spread	1

2b(ii): Financial Incentives

		($000)
Pricing incentives	127	
Other incentives	5,087	
Total financial incentives		5,214

2b(iii): Rates and Levy Costs

	($000)
Rates and levy costs	2,874

2b(iv): Merger and Acquisition Expenses

	($000)
Merger and acquisition expenses	–

Justification for Merger and Acquisition Expenses

There were no merger and acquisition expenses in the year ended 30 June 2015 for the regulated airport business.

Allowance for Long Term Credit Spread

Term credit Spread Difference	Execution cost of an interest rate swap	Notional debt issue cost readjustment	Attribution rate	
A	B	C	D	Q = (A+B+C)xD
1,483,195	171,611	(1,642,843)	12.21%	**1,461**

A - Term credit Spread Difference

	A	B	Q = AXB				
Issue date		Book value of the qualifying debt at issue date	Term Credit Spread Difference	Original Issue Tenor	Qualifying Debt?		
7-Nov-05	0.00150	100,000,000	150,000	10.0 yrs	1.0	Bonds	
10-Aug-09	0.00150	25,000,000	37,500	7.0 yrs	1.0	Bonds	
15-Nov-08	0.00150	129,992,000	194,988	8.0 yrs	1.0	Bonds	
17-Oct-11	0.00150	100,000,000	150,000	6.0 yrs	1.0	Bonds	
13-Dec-12	0.00239	100,000,000	238,749	7.0 yrs	1.0	Bonds	
11-Apr-14	N/A	150,000,000	N/A	3.0 yrs	0.0	Bonds	
28-May-14	0.00150	150,000,000	225,000	7.0 yrs	1.0	Bonds	
29-Oct-14	N/A	80,000,000	N/A	3.1 yrs	0.0	Commercial Paper	
29-Oct-14	N/A	37,600,000	N/A	1.5 yrs	0.0	Commercial Paper	
29-Oct-14	N/A	45,000,000	N/A	3.0 yrs	0.0	BTMU	
29-Oct-14	0.00150	100,000,000	150,000	5.0 yrs	1.0	BTMU	
29-Oct-14	N/A	89,585,666	N/A	3.1 yrs	0.0	CBA	
29-Oct-14	N/A	-	N/A	3.1 yrs	0.0	ANZ	Standby
1-Apr-15	N/A	-	N/A	0.7 yrs	0.0	ANZ	Standby
29-Oct-14	N/A	-	N/A	1.5 yrs	0.0	Westpac	Standby
29-Oct-14	N/A	-	N/A	1.5 yrs	0.0	BNZ	Standby
15-Feb-11	0.00184	64,783,623	119,267	10.0 yrs	1.0	USPP	
12-Jul-11	0.00150	65,616,798	98,425	10.0 yrs	1.0	USPP	
15-Feb-11	0.00184	64,783,623	119,267	12.0 yrs	1.0	USPP	
25-Nov-14	0.00600	294,707,061	1,768,242	12.0 yrs	1.0	USPP	
Total		1,194,883,105	1,483,195				
		1,597,068,771					

	B		C	D	E	F	A			
Issue date	Maturity date	Book value of the qualifying debt at issue date	Yield shown on the Bloomberg NZ "A" fair value curve for a bond with a tenor equal to, or closest to, the original tenor of the qualifying debt	NZ swap rate quoted by Bloomberg for a tenor equal to the original tenor of the qualifying debt	The yield shown on the Bloomberg NZ "A" fair value curve for a bond with a tenor of 5 years	NZ swap rate quoted by Bloomberg for a tenor of 5 years	A=(C-D)-(E-F)	Original Issue Tenor	Qualifying Debt?	
7-Nov-05	7-Nov-15	100,000,000	7.1758%	6.8925%	7.2559%	7.0510%	0.00078	10.0 yrs	1.0	Bonds
10-Aug-09	10-Aug-16	25,000,000	7.8727%	5.7900%	7.4576%	5.4830%	0.00108	7.0 yrs	1.0	Bonds
15-Nov-08	15-Nov-16	129,992,000	7.8802%	6.5200%	7.8284%	6.4950%	0.00027	8.0 yrs	1.0	Bonds
17-Oct-11	17-Oct-17	100,000,000	6.0181%	4.3925%	5.5535%	3.9800%	0.00052	6.0 yrs	1.0	Bonds
13-Dec-12	13-Dec-19	100,000,000	5.4580%	3.5484%	4.9041%	3.2332%	0.00239	7.0 yrs	1.0	Bonds
11-Apr-14	11-Apr-17	150,000,000	N/A	N/A	N/A	N/A	N/A	3.0 yrs	0.0	Bonds
28-May-14	28-May-21	150,000,000	5.5704%	4.5200%	5.3513%	4.3300%	0.00029	7.0 yrs	1.0	Bonds
29-Oct-14	30-Nov-17	80,000,000	N/A	N/A	N/A	N/A	N/A	3.1 yrs	0.0	Commercial Paper
29-Oct-14	30-Apr-16	37,600,000	N/A	N/A	N/A	N/A	N/A	1.5 yrs	0.0	Commercial Paper
29-Oct-14	29-Oct-17	45,000,000	N/A	N/A	N/A	N/A	N/A	3.0 yrs	0.0	BTMU
29-Oct-14	29-Oct-19	100,000,000	5.1790%	4.1775%	5.1790%	4.1775%	-	5.0 yrs	1.0	BTMU
29-Oct-14	1-Dec-17	89,585,666	N/A	N/A	N/A	N/A	N/A	3.1 yrs	0.0	CBA
29-Oct-14	30-Nov-17	-	N/A	N/A	N/A	N/A	N/A	3.1 yrs	0.0	ANZ Standby
1-Apr-15	30-Nov-15	-	N/A	N/A	N/A	N/A	N/A	0.7 yrs	0.0	ANZ Standby
29-Oct-14	30-Apr-16	-	N/A	N/A	N/A	N/A	N/A	1.5 yrs	0.0	Westpac Standby
29-Oct-14	30-Apr-16	-	N/A	N/A	N/A	N/A	N/A	1.5 yrs	0.0	BNZ Standby
15-Feb-11	15-Feb-21	64,783,623	7.2369%	5.4580%	6.2698%	4.6750%	0.00184	10.0 yrs	1.0	USPP
12-Jul-11	12-Jul-21	65,616,798	6.5004%	5.1050%	5.8331%	4.3375%	0.00100	10.0 yrs	1.0	USPP
15-Feb-11	15-Feb-23	64,783,623	7.2369%	5.4580%	6.2698%	4.6750%	0.00184	12.0 yrs	1.0	USPP
25-Nov-14	25-Nov-26	294,707,061	5.5578%	4.3675%	4.5080%	4.1225%	0.00805	12.0 yrs	1.0	USPP
Total		1,194,883,105								
		1,597,068,771								

B - Execution cost of an interest rate swap

Issue date	Maturity date	Book value of the qualifying debt at issue date	Execution cost for an interest rate swap (half the wholesale bid offer spread)	Execution cost for an interest rate swap (half the wholesale bid offer spread)	Original Issue Tenor	Qualifying Debt?	
7-Nov-05	7-Nov-15	100,000,000	0.0065%	6,485	10.0 yrs	1.0	Bonds
10-Aug-09	10-Aug-16	25,000,000	0.0195%	4,885	7.0 yrs	1.0	Bonds
15-Nov-08	15-Nov-16	129,992,000	0.0076%	9,878	8.0 yrs	1.0	Bonds
17-Oct-11	17-Oct-17	100,000,000	0.0151%	15,145	6.0 yrs	1.0	Bonds
13-Dec-12	13-Dec-19	100,000,000	0.0191%	19,108	7.0 yrs	1.0	Bonds
11-Apr-14	11-Apr-17	150,000,000	N/A	N/A	3.0 yrs	0.0	Bonds
28-May-14	28-May-21	150,000,000	0.0386%	57,886	7.0 yrs	1.0	Bonds
29-Oct-14	30-Nov-17	80,000,000	N/A	N/A	3.1 yrs	0.0	Commercial Paper
29-Oct-14	30-Apr-16	37,600,000	N/A	N/A	1.5 yrs	0.0	Commercial Paper
29-Oct-14	29-Oct-17	45,000,000	N/A	N/A	3.0 yrs	0.0	BTMU
29-Oct-14	29-Oct-19	100,000,000	0.0061%	6,067	5.0 yrs	1.0	BTMU
29-Oct-14	1-Dec-17	89,585,666	N/A	N/A	3.1 yrs	0.0	CBA
29-Oct-14	30-Nov-17	-	N/A	N/A	3.1 yrs	0.0	ANZ Standby
1-Apr-15	30-Nov-15	-	N/A	N/A	0.7 yrs	0.0	ANZ Standby
29-Oct-14	30-Apr-16	-	N/A	N/A	1.5 yrs	0.0	Westpac Standby
29-Oct-14	30-Apr-16	-	N/A	N/A	1.5 yrs	0.0	BNZ Standby
15-Feb-11	15-Feb-21	64,783,623	0.0204%	13,195	10.0 yrs	1.0	USPP
12-Jul-11	12-Jul-21	65,616,798	0.0196%	12,880	10.0 yrs	1.0	USPP
15-Feb-11	15-Feb-23	64,783,623	0.0403%	26,084	12.0 yrs	1.0	USPP
25-Nov-14	25-Nov-26	294,707,061	0.0018%	5,255	12.0 yrs	1.0	USPP
Total		1,194,883,105		171,611			
		1,597,068,771					

C - Notional debt issue cost readjustment

Issue date	Maturity date	Original tenor of qualifying debt	Book value of the qualifying debt at issue date		Original Issue Tenor	Qualifying Debt?	
		A	B	Q = ((1.75%/A)-0.35%)xB			
7-Nov-05	7-Nov-15	10.0	100,000,000	(175,096)	10.0 yrs	1.0	Bonds
10-Aug-09	10-Aug-16	7.0	25,000,000	(25,049)	7.0 yrs	1.0	Bonds
15-Nov-08	15-Nov-16	8.0	129,992,000	(170,809)	8.0 yrs	1.0	Bonds
17-Oct-11	17-Oct-17	6.0	100,000,000	(58,599)	6.0 yrs	1.0	Bonds
13-Dec-12	13-Dec-19	7.0	100,000,000	(100,098)	7.0 yrs	1.0	Bonds
11-Apr-14	11-Apr-17	3.0	150,000,000	349,202	3.0 yrs	0.0	Bonds
28-May-14	28-May-21	7.0	150,000,000	(150,293)	7.0 yrs	1.0	Bonds
29-Oct-14	30-Nov-17	3.1	80,000,000	173,014	3.1 yrs	0.0	Commercial Paper
29-Oct-14	30-Apr-16	1.5	37,600,000	305,868	1.5 yrs	0.0	Commercial Paper
29-Oct-14	29-Oct-17	3.0	45,000,000	104,760	3.0 yrs	0.0	BTMU
29-Oct-14	29-Oct-19	5.0	100,000,000	(192)	5.0 yrs	1.0	BTMU
29-Oct-14	1-Dec-17	3.1	89,585,666	193,296	3.1 yrs	0.0	CBA
29-Oct-14	30-Nov-17	3.1	-	-	3.1 yrs	0.0	ANZ Standby
1-Apr-15	30-Nov-15	0.7	-	-	0.7 yrs	0.0	ANZ Standby
29-Oct-14	30-Apr-16	1.5	-	-	1.5 yrs	0.0	Westpac Standby
29-Oct-14	30-Apr-16	1.5	-	-	1.5 yrs	0.0	BNZ Standby
15-Feb-11	15-Feb-21	10.0	64,783,623	(113,464)	10.0 yrs	1.0	USPP
12-Jul-11	12-Jul-21	10.0	65,616,798	(114,924)	10.0 yrs	1.0	USPP
15-Feb-11	15-Feb-23	12.0	64,783,623	(132,331)	12.0 yrs	1.0	USPP
25-Nov-14	25-Nov-26	12.0	294,707,061	(601,988)	12.0 yrs	1.0	USPP
	Total		1,194,883,105	(1,642,843)			
			1,597,068,771				

D - Attribution rate

RAB Value for the previous disclosure year	Leverage rate of 17%	Sum of the book value of each qualifying debt and non-qualifying debt as of the end of the disclosure year	
A	B	C	Q= (A*B)/C
1,146,936,771	17%	1,597,068,771	12.21%

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref *Version 2.0*

3a: Regulatory Tax Allowance

ref					($000)
7		Regulatory profit / (loss) before tax			134,549
8					
9	*plus*	Regulatory depreciation	45,711		
10		Other permanent differences—not deductible	101	*	
11		Other temporary adjustments—current period	13,001	*	
12					58,813
13					
14	*less*	Total revaluations	4,790		
15		Tax depreciation	30,728		
16		Notional deductible interest	11,114		
17		Other permanent differences—non taxable	–	*	
18		Other temporary adjustments—prior period	10,700	*	
19					57,332
20					
21		Regulatory taxable income (loss)			136,030
22					
23	*less*	Tax losses used	–		
24		Net taxable income			136,030
25					
26		Statutory tax rate (%)	28.0%		
27		Regulatory tax allowance			38,088

** Workings to be provided*

28

3b: Notes to the Report

3b(i): Disclosure of Permanent Differences and Temporary Adjustments

The Airport Business is to provide descriptions and workings of items recorded in the four "other" categories above (explanatory notes can be provided in a separate note if necessary).

Other permanent difference - not deductible: This relates to non-deductible entertainment expenses allocated to the Regulatory income based on the company wide rules.

Other temporary adjustments - current period:

These relate to accruals and provisions provided at year end that are not deductible for tax purposes. These include employee related provisions ($10.5m) for employee leave, ACC, FBT, and staff incentives; and other accruals and provisions ($2.5m) including doubtful debts, unbilled consultancy and non-specific accruals.

Other temporary adjustments - prior period:

The prior period adjustments consist of accruals and provisions identical in nature to those of the current period being employee related provisions ($7.5m) and other accruals and provisions ($3.2m).

3b(ii): Tax Depreciation Roll-Forward

ref			($000)	
45		Opening RAB (Tax Value)	570,632	
46	*plus*	Regulatory tax asset value of additions	56,516	
47	*less*	Regulatory tax asset value of disposals	2,301	
48	*plus*	Regulatory tax asset value of assets transferred from/(to) unregulated asset base	–	
49	*less*	Tax depreciation	30,728	
50	*plus*	Other adjustments to the RAB tax value	(160)	
51		Closing RAB (tax value)		593,959

3b(iii): Reconciliation of Tax Losses (Airport Business)

ref			($000)	
54		Tax losses (regulated business)—prior period	–	
55	*plus*	Current year tax losses	–	
56	*less*	Tax losses used	–	
57				
58		Tax losses (regulated business)		–

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

Version 2.0

		Unallocated RAB * ($000)	Unallocated RAB * ($000)	RAB ($000)	RAB ($000)
	RAB value—previous disclosure year		1,364,591		1,146,937
less					
	Regulatory depreciation		57,178		45,711
plus					
	Indexed revaluations	5,699		4,790	
	Non-indexed revaluations	–		–	
	Total revaluations		5,699		4,790
plus					
	Assets commissioned (other than below)	69,074		60,787	
	Assets acquired from a regulated supplier	–		–	
	Assets acquired from a related party	–		–	
	Assets commissioned		69,074		60,787
less					
	Asset disposals (other)	786		658	
	Asset disposals to a regulated supplier	–		–	
	Asset disposals to a related party	–		–	
	Asset disposals		786		658
plus	**Lost and found assets adjustment**		(503)		–
	Adjustment resulting from cost allocation				(2,541)
	RAB value †		1,380,897		1,163,605

Commentary

Lost and found assets and adjustment resulting from cost allocation

A capital expenditure project typically enters the fixed assets register as a single item. Following detailed analysis, it is later split into its component assets.

This process sometimes results in aeronautical-dominated projects being later split into both aeronautical assets plus a small proportion of non-aeronautical assets.

Equally, previously non-aeronautical-dominated projects can be split into non-aeronautical plus a small proportion of aeronautical assets.
These splits can result in assets being transferred into or out of the Unallocated RAB and may or may not also impact Allocated RAB.

The logical place to record these movements in schedule 4 above is in row 28, entitled "Adjustment resulting from cost allocation". A -$4.1m Allocated RAB movement resulting from asset splits is indeed recorded in that row, offset by a $1.5m movement resulting from a change in allocation percentages. This results in the net -$2.5m movement shown in Allocated RAB from cost allocation. Because row 28 does not contain an area to input movements in Unallocated RAB, we have shown the Unallocated RAB movement due to asset splits in row 26, under the "Lost and found assets adjustment".

** The 'unallocated RAB' is the total value of those assets used wholly or partially to provide specified services without any allowance being made for the allocation of costs to non-specified services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes land held for future use or works under construction.*

† RAB to correspond with the total assets value disclosed in schedule 9 Asset Allocations.

4b: Notes to the Report

4b(i): Regulatory Depreciation

	Unallocated RAB ($000)	RAB ($000)
Standard depreciation	57,178	45,711
Non-standard depreciation	–	–
Regulatory depreciation	57,178	45,711

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD (cont)

ref *Version 2.0*

($000 unless otherwise specified)

4b(ii): Non-Standard Depreciation Disclosure

Non-standard Depreciation Methodology	Depreciation charge for the period (RAB)	Year change made (year ended)	RAB value under 'non-standard' depreciation	RAB value under 'standard' depreciation

4b(iii): Non-Standard Depreciation Disclosure for Year of Change

Summary of Change	Justification for change in depreciation methodology	Extent of customer disagreement and supplier response

4b(iv): Calculation of Revaluation Rate and Indexed Revaluation of Fixed Assets

CPI at CPI reference date—previous year (index value)		1,195
CPI at CPI reference date—current year (index value)		1,200
Revaluation rate (%)		0.42%

		Unallocated RAB		RAB
RAB value—previous disclosure year			1,364,591	1,146,937
less	Revalued land	–		–
less	Assets with nil physical asset life	1,658		1,371
less	Asset disposals	786		658
less	Lost asset adjustment	–		–
Indexed revaluation			5,699	4,790

4b(v): Works Under Construction

		Unallocated works under construction		Allocated works under construction
Works under construction—previous disclosure year			70,032	61,307
plus	Capital expenditure	83,338		74,910
less	Asset commissioned	69,074		60,787
less	Offsetting revenue	–		–
plus	Adjustment resulting from cost allocation			(71)
Works under construction			84,296	75,359

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD (cont)

ref *Version 2.0*

4b(vi): Capital Expenditure by Primary Purpose

105		Capacity growth	47,578	
106	*plus*	Asset replacement and renewal	27,332	
107		Total capital expenditure		74,910

4b(vii): Asset Classes

			Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
110		RAB value—previous disclosure year	364,229	236,932	533,460	12,316	1,146,937
111	*less*	Regulatory depreciation	3	11,003	30,830	3,875	45,711
112	*plus*	Indexed revaluations	1,524	989	2,231	46	4,790
113	*plus*	Non-indexed revaluations	–				–
114	*plus*	Assets commissioned	–	4,641	38,620	17,527	60,787
115	*less*	Asset disposals	–	232	11	416	658
116	*plus*	Lost and found assets adjustment	–	–	–	–	–
117	*plus*	Adjustment resulting from cost allocation	366	(634)	(3,502)	1,229	(2,541)
118		RAB value	366,117	230,692	539,967	26,828	1,163,605

** Corresponds to values in RAB roll forward calculation.*

4b(viii): Assets Held for Future Use

			Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total
121		Assets held for future use—previous disclosure year	179,075	84,063	(5,385)	(33,191)	235,332
122	*plus*	Assets held for future use—additions[1]	7,270	19,944	(1,138)	(743)	27,609
123	*less*	Transfer to works under construction	7,268	–	–	–	7,268
124	*less*	Assets held for future use—disposals	(0)	–	–	–	(0)
125		Assets held for future use[2]	179,077	104,008	(6,523)	(33,934)	255,673

126 *[1] Holding Costs, Net Revenues, and Tracking Revaluations entries in the 'Assets held for future use—additions' line relate to the value incurred during the disclosure year.*
[2] Each category value shown in the 'Assets held for future use' line (Base Value, Holding Costs, Net Revenues, and Tracking Revaluations) is carried forward into the following year's disclosure as 'Assets held for future use—previous disclosure year' .

127		Highest rate of finance applied (%)	8.475%

128

Regulated Airport	Auckland International Airport Limited
For Year Ended	30 June 2015

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

ref *Version 2.0*

5(i): Related Party Transactions

	($000)
Net operating revenue	–
Operational expenditure	4,693
Related party capital expenditure	7,380
Market value of asset disposals	–
Other related party transactions	9,280

5(ii): Entities Involved in Related Party Transactions

Entity Name	Related Party Relationship
Auckland Council	Auckland Council's shareholding of Auckland International Airport exceeds 20 percent and as such accounting standard NZ IAS 24 requires the transactions with Auckland Council to be treated as related party transactions. All transactions were on an arms-length commercial basis, without special privileges.
City Park Services	Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council. All transactions were on an arms-length commercial basis, without special privileges.
Watercare	Auckland Airport also receives water, waste water and compliance services from Watercare, a 100% subsidiary of Auckland Council. All transactions were on an arms-length commercial basis, without special privileges.
Auckland Airport (non-regulated business)	The part of Auckland Airport that does not supply specified airport services.
Other - key management personnel	Key management personnel
Other - Auckland International Airport Marae Ltd	Two members of Auckland Airport's senior management team are on the board of Auckland International Airport Marae Ltd. No fees were paid in relation to these appointments.

5(iii): Related Party Transactions

Entity Name	Description of Transaction	Average Unit Price ($)	Value ($000)
Auckland Council	Rates paid by Auckland Airport to Auckland Council for the regulated business	N/A	2,287
Auckland Council	Compliance, consent fees and other government regulatory obligations	N/A	131
City Park Services	Grounds maintenance for the regulated business	N/A	1,361
Watercare	Water, wastewater and compliance services for the regulated business	N/A	1,025
Auckland Airport (non-regulated business)	Transfer of carpark land from non regulated business into assets held for future use as apron. Subsequently transferred to works under construction.	$2,853 per sqm	7,270
Key management personnel	Remuneration of directors	N/A	924
Key management personnel	Remuneration of the senior management team	N/A	8,345
Auckland International Airport Marae Ltd	Maintenance and occupancy costs for the regulated business	N/A	11

Commentary on Related Party Transactions

(a) Transactions with related parties

All trading with related parties, including and not limited to licence fees, rentals and other sundry charges, has been made on an arms-length commercial basis, without special privileges.

North Queensland Airports is an associate entity of the company. During the year ended 30 June 2015 there were no transactions with the Airport Business.

Tainui Auckland Airport Hotel Limited Partnership is an associate entity of the company. During the year ended 30 June 2015 there were no transactions with the Airport Business.

Queenstown Airport is an associate entity of the company. During the year ended 30 June 2015 there were no transactions with the Airport Business.

Auckland International Airport Marae Ltd has two members of Auckland International Airport's senior management team on its board. During the year ended 30 June 2015 maintenance and occupancy costs of $0.011 million (2014: $0.034 million) were incurred in relation to the Marae by the Airport Business.

Auckland Council

Auckland Council's shareholding of Auckland International Airport exceeds 20 percent and as such accounting standard NZ IAS 24 requires the transactions with Auckland Council to be treated as related party transactions for the year ended 30 June 2015. Rates of $2.287 million (2014: $2.043 million) and compliance, consent costs and other local government regulatory obligations of $0.131 million (2014: $0.107 million) were incurred for the year ended 30 June 2015 by the Airport Business. Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council. In the year ended 30 June 2015 grounds maintenance costs of $1.361 million (2014: $1.205 million) were incurred by the Airport Business. The ground maintenance contract consists of various work across the airport and the annual contract value is $1.840 million (2014: $1.644 million). Auckland Airport also receives water, waste water and compliance services from Watercare, a 100% subsidiary of Auckland Council. In the year ended 30 June 2015 Watercare costs of $1.025 million (2014: $1.015 million) were incurred.

Further, on 28 October 2010 Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agreed to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for consideration of $4.092 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels. The same agreement also rationalised the road network within the airport with some roads to be transferred between the parties and some roads to be acquired by Auckland Airport for $3.109 million. These transactions are not complete as at 30 June 2015 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

In March 2015, Auckland Airport agreed to convert 2,722 square metres of land from carpark to apron use. 2,548 square metres were outside the RAB and used for carparking. The carparking land was transferred to "assets held for future use" at a value of $7.270 million in accordance with clause 3.11 of the IM Determination. The land was subsequently transferred to "works under construction" when the construction works began in June 2015. The apron became operational in September 2015 (FY16).

No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

For the year ended 30 June 2015, the Airport Business has not made any allowance for impairment loss relating to amounts owed by related parties.

The Airport Business has transactions with other companies in which there are common directorships. All transactions with these entities have been entered into on an arms-length commercial basis, without special privileges.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 6: REPORT ON ACTUAL TO FORECAST EXPENDITURE

ref *Version 2.0*

6a: Actual to Forecast Expenditure

($000)

Expenditure by Category	Actual for Current Disclosure Year (a)	Forecast for Current Disclosure Year* (b)	% Variance (a)/(b)-1	Actual for Period to Date (a)	Forecast for Period to Date* (b)	% Variance (a)/(b)-1
Capacity growth	47,578	40,175	18.4%	104,303	153,403	(32.0%)
Asset replacement and renewal	27,332	16,205	68.7%	74,257	51,335	44.7%
Total capital expenditure	74,910	56,379	32.9%	178,560	204,737	(12.8%)
Corporate overheads	33,787	21,199	59.4%	97,238	69,242	40.4%
Asset management and airport operations	22,512	23,948	(6.0%)	65,555	69,012	(5.0%)
Asset maintenance	34,322	34,408	(0.2%)	99,257	97,846	1.4%
Total operational expenditure	90,621	79,555	13.9%	262,051	236,100	11.0%
Key Capital Expenditure Projects						
Short term capacity enhancements (DTB)	1,115	12	8,863.3%	25,515	31,883	(20.0%)
Baggage Reclaim Expansion (RECLAIM 1)	12,544	–	Not defined	13,301	11,214	18.6%
BHS feed expansion (or BHS 2)	–	6,028	(100.0%)	–	6,028	(100.0%)
Check in project	–	3,375	(100.0%)	–	7,151	(100.0%)
ITB Forecourt Reconfiguration (or FC3)	–	–	Not defined	–	–	Not defined
Landside ground floor capacity enhancement	–	–	Not defined	–	–	Not defined
New Stand 1	–	–	Not defined	–	10,119	(100.0%)
New Stand 2	–	11,750	(100.0%)	–	11,750	(100.0%)
Taxilane 1	–	–	Not defined	–	11,244	(100.0%)
Pier B ground boarding project (or PIERB 1)	1,182	15,275	(92.3%)	1,182	15,275	(92.3%)
Asphalt apron replacement	249	2,411	(89.7%)	4,349	3,540	22.8%
Concrete runway and apron replacement	4,367	3,617	20.7%	9,460	16,060	(41.1%)
ITB Airbridge refurbishment	80	965	(91.7%)	6,172	4,346	42.0%
Taxiway Lima	(292)	–	Not defined	14,544	21,534	(32.5%)
Premium lounge	7,779	–	Not defined	7,779	–	Not defined
ITB Level 1 - Phase 3	5,630	–	Not defined	5,630	–	Not defined
ITB Baggage Phase 1.2	3,596	–	Not defined	3,596	–	Not defined
Northern Runway Mode of Operation	3,372	–	Not defined	3,372	–	Not defined
Other capital expenditure	35,289	12,946	172.6%	83,661	54,593	53.2%
Total capital expenditure	74,910	56,379	32.9%	178,560	204,737	(12.8%)

Explanation of Variances

Operational Expenditure

The table above requires an allocation of operating costs between three categories: "corporate overheads", "asset management and airport operations" and "asset maintenance". Auckland Airport has undertaken this allocation based on the primary activities of the business units where cost are incurred. The Asset Maintenance cost category variance shown above therefore includes not only the 'pure' $1.8m Repairs and Maintenance variance explained in the table below, but also variances for other types of operating costs that were incurred in business units whose primary activities relate to repairs and maintenance, eg the Engineering Support Services business unit where the majority of engineering support staff costs reside.

Total regulated operating costs were $11.1m (+13.9%) more than pricing forecasts for the current disclosure year ended 30 June 2015 (2014: $6.9m, +8.7%). This increase fell within the Corporate Overhead (+$12.6m) cost category with savings in Asset Management & Airport Operations (-$1.4m) and Asset Maintenance (-$0.1m) compared to pricing.

Period to date total regulated costs were $26.0m (+11.0%) more than pricing forecasts. This increase also fell within the Corporate Overhead (+28.0m) cost category and Asset Maintenance ($1.4m) with savings in Asset Management & Airport Operations of (-$3.5m) compared to pricing.

The increase in operational expenditure above pricing was driven by the following:

a) Personnel costs;

b) Investment in marketing and promotions above pricing forecasts (as intended). Marketing and promotions forecasts under the price setting disclosure were intended to support new services known at the time of pricing and organic growth. Auckland Airport is investing above this level to grow passenger numbers higher than the organic growth rate. Compared to pricing, total passengers at Auckland Airport were 3.5% higher in the year ended 30 June 2015 (2.4% higher pricing period to date). This variance to pricing forecast was led by 4.3% higher domestic passenger movements and 3.7% higher international passenger movements. The higher investment than assumed in pricing for marketing and promotions to grow passenger numbers is not recovered through aeronautical prices.

Please see the below table for further detailed explanations of the variances:

Area	Variance	FY15 variance explanation
Marketing, Promotions & PR	$5.5m	Marketing, Promotions and PR costs were $5.5m more than pricing forecast in FY15. As in FY13 and FY14, this variance is within the Corporate Overheads cost category. The variance relates to aeronautical business development activities associated with competing to attract new air services for Auckland and New Zealand, through proactively targeting routes and markets. The variance is a mix of committed airline route marketing (payable when airlines achieve capacity targets) and business-as-usual (BAU) marketing (including airline and non-airline marketing, general route and destination marketing and company-wide promotions). There were a number of additional routes and services supported that were not included in pricing forecasts including (but not limited to) the new Hawaiian Airlines service to Honolulu, China Airlines to/from Sydney and additional China Southern services. The full benefit of this business development marketing spend is expected to result in higher international growth than organic growth in the coming periods. It was decided during pricing to share the costs associated with non-airline specific route development activities between Aeronautical Pricing and Non-Aeronautical Pricing Activities. This approach was also followed for disclosure resulting in a 75% allocation for non-airline specific costs.

Personnel Costs	$5.3m	Personnel costs were $5.3m more than pricing forecast in FY15. This variance was driven by increases in personnel cost within the Corporate Overheads cost category predominantly due to contractual revaluation of the Long Term Incentive plan based on the increase in the company's share price in 2015, and within the FY15 Asset Management & Airport Operations cost category Auckland Airport increased training and staffing levels in the Rescue & Fire Services team, attaining Category 10 airport accreditation. This additional Personnel cost, included higher training-related overtime costs, was not included in pricing. However, increases were offset in part by Personnel savings within the Asset Management & Airport Operations cost category.
Repairs & Maintenance	$1.8m	Repairs & Maintenance (R&M) costs were $1.8m more than pricing forecast in FY15. R&M costs fall mostly within the Asset Maintenance cost category. The major areas of works contributing to the variance include increased City Parks costs for grounds maintenance, Raupo removal from western wetlands, increased Transfield maintenance due to increased scope, a capital expenditure write-off for George Bolt Memorial Drive roading resurfacing, higher costs for runway marking and rubber removal and increased corrective maintenance across the business namely in regard to lifts, generators and chillers.
Consultancy, Audit & Legal	$1.1m	Consultancy, Audit & Legal costs were $1.1m higher than pricing forecast in FY15. Asset Management and Operations consultancy costs were $1.5m higher than pricing due in part to costs attributable to the SMART Approaches Trial noise monitoring and final report for public consultation. This trial aims to reduce the impact of aviation on the environment and communities, while maintaining safety levels, and was conducted by Auckland Airport, Airways New Zealand and the Board of Airline Representatives New Zealand (BARNZ). This was offset by cost savings of $0.4m in Corporate Overheads.
Management Fees	$0.6m	Management Fees were $0.6m higher than pricing forecast in FY15. These cost fall into the Asset Maintenance cost category and cover outsourced operations. The main driver of this variance was the AVSEC charges for staffing Checkpoint Charlie which have been passed on to Auckland Airport from April 2014 and were not included in pricing.
Utilities	-$1.8m	Utilities costs were -$1.8m lower than pricing forecast in FY15 including ongoing savings from Terminal lighting and cooling efficiency projects.
Other exps	-$1.3m	Other costs were $1.3m lower than pricing forecast in FY15, with higher Asset Management & Airport Operations cost category costs for Other Staff Costs (including Safety equipment and supplies and uniform expenses related to new Rescue & Fire Services staff) offset by savings achieved in Insurance premium costs and Telecommunications costs. Within Corporate Overheads cost category Shareholder expenses and Other Expenses were lower than pricing forecast in FY15.
Total Variance	**$11.1m**	

Key Capital Expenditure Projects Variance Analysis

The table below sets out the material variances for FY15 (in $'000). New key capital expenditure projects expected to exceed $5m have been identified this financial year.

Key Capital Project	FY15 Variance	Period to Date Variance	Commentary
Short term capacity enhancements (DTB)	1,102	(6,368)	The domestic environment has grown more strongly than expected for the period to date. Some project efficiencies were achieved in the initial two years in the pricing period. Management continues to evaluate opportunities to re-purpose capital in this area to support better customer satisfaction and meet capacity growth. In FY15 unforecast investment was undertaken in further general uplift to the terminal areas adjacent to and serving the Air New Zealand regional services end of the building, including general improvements to floor, wall and ceiling finishes and lighting.
Baggage Reclaim Expansion (RECLAIM 1)	12,544	2,087	This expenditure relates to the forecast scope of works for the delivery of the first of two new Code F capable baggage carousels for arriving international passengers, which also included the expansion of the arrivals baggage reclaim hall as well as the relocation of access from Immigration and the relocation and improvement of baggage handlers accommodation. For the period to date this project cost $2m more than forecast.
BHS feed expansion (or BHS 2)	(6,028)	(6,028)	Management has identified that BHS 2 must be evaluated as part of the check in programme. However the BHS element of the check in programme will be enabled by the development of a slab to the western end of terminal which will be delivered in Nov 16 as part of the Level 1 project (Phase 3).
Check in project	(3,375)	(7,151)	Feasibility workshops were completed in FY15 with key stakeholders. It was agreed that common use bag drop is a core principle for unlocking efficiencies. To enable this the outbound baggage handling feed must be capable. What remains unknown is each carrier's preference for the primary check in mode. This is an area where there is potentially significant differences of opinion and carriers are protective of their brands and the customer experience. The airport must also consider when the carriers are more definite about their requirements, how an efficient use of space can also be achieved. The airport has prioritised focussing on the baggage handling solution's interaction with check in and taking lessons from carriers which have been clearer on their requirements and willing to innovate in this space.
New Stand 1	-	(10,119)	As reported last year the airlines and Auckland Airport have agreed this funding should be repurposed towards other higher priority projects.
New Stand 2	(11,750)	(11,750)	This project was collaboratively agreed with BARNZ to be deferred in lieu of the masterplan outcome. Market conditions have strengthened in FY15 and we are now planning to provide 17,000m2 in FY16 for new aircraft layover areas, valued circa $10m.
Taxilane 1	-	(11,244)	As reported last year this project was delayed until the 30 year vision outcome was known. The airlines and Auckland Airport have agreed this funding should be repurposed to more valued priorities.
Pier B ground boarding project (or PIERB 1)	(14,093)	(14,093)	As part of the repurposing discussion this project was collaboratively agreed with BARNZ to be deferred in lieu of the masterplan outcome. However due to changing market conditions and increased airline demand for Pier B a feasibility study was commissioned and neared completion in FY15. The company is now planning to provide a new bus lounge on Pier B in FY16.

Asphalt apron replacement	(2,162)	808	The FY15 programme was reprioritised following on site testing of asphalt areas. Period to date expenditure is ahead of forecast.
Concrete runway and apron replacement	750	(6,600)	In line with the comments made with respects to the Asphalt apron replacement, actual expenditure is ahead of forecast. Whilst we have adjusted and reduced the quantity of asphalted areas to be replaced, there has been a higher than anticipated quantity of concrete areas replaced. Period to date expenditure is below forecast.
ITB Airbridge refurbishment	(884)	1,825	In FY15 the focus was on the refurbishment of Airbridge 5. Whilst some efficiency was achieved over forecast this year, period to date the airport has invested more in the airbridge programme than forecast.
Taxiway Lima	(292)	(6,990)	This is a final adjustment related to releasing project retentions. As previously identified, this project was delivered under budget.
Premium lounge	7,779	7,779	During FY15, a carrier approached the airport seeking a new premium lounge proposition. Through a collaborative process a preferred site was established for the development of this lounge and commercial agreement reached for the shell and core facility to be provided by the airport and fitted out by the carrier.
ITB Level 1 – Phase 3	5,630	5,630	The level 1 project will provide a new international emigration facility, an enlarged truck dock and an airside dwell area (including retail) for international passengers. FY15 costs relate to design, with physical construction commencing in October 2015, with a targeted completion of March 2018.
ITB Baggage Phase 1.2	3,596	3,596	As part of the continuing focus on international inbound baggage availability, this expenditure is relates to FY15 costs for a further new code F baggage reclaim belt, due for operation in early December 2015. This is a further provision over and above INTB ARRIVALS BAGGAGE PHASE 1.1 which delivered an equivalent belt and building fabric in December 2014.
Northern Runway Mode of Operation	3,372	3,372	This expenditure relates to protecting the ability to construct and operate a long haul capable northern runway under the Resource Management Act. This expenditure relates to design fees and associated professional fees as well as capitalised salaries of AIAL staff dedicated to this process.
Other capital expenditure	22,343	29,069	Other capital expenditure is spread amongst numerous projects and programmes, targeted at: • improvements in level of service during peak (e.g. regional stands 49& 50, reorganising inbound customs and MPI for NW14 peak) • innovations in the use of information used in day to day operations to improve efficiency for the airport and stakeholders in the network e.g airlines, border agencies, Airways (e.g airport operating system upgrade, A-CdM, passenger counting and tracking solutions) • asset replacement (e.g asbestos removal, relocation of utilities) • planning and design, and • compliance (e.g marine fleet).
Total capital expenditure variance	18,531	(26,177)	

** Disclosure year coincides with Pricing Period Starting Year + 2.*

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 6: REPORT ON ACTUAL TO FORECAST EXPENDITURE (cont)

ref | *Version 2.0*

6b: Forecast Expenditure

From most recent disclosure following a price setting event

Starting year of current pricing period (year ended): 30 June 2013

	Expenditure by Category	for year ended	Pricing Period Starting Year 30 Jun 13	Pricing Period Starting Year + 1 30 Jun 14	Pricing Period Starting Year + 2 30 Jun 15	Pricing Period Starting Year + 3 30 Jun 16	Pricing Period Starting Year + 4 30 Jun 17
224	Capacity growth		48,365	64,863	40,175	15,667	27,515
225	Asset replacement and renewal		17,220	17,910	16,205	21,226	20,605
226	Total forecast capital expenditure		65,585	82,773	56,379	36,893	48,120
227							
228	Corporate overheads		24,466	23,577	21,199	21,239	21,860
229	Asset management and airport operations		22,000	23,064	23,948	25,261	26,558
230	Asset maintenance		30,903	32,535	34,408	36,411	38,324
231	Total forecast operational expenditure		77,369	79,176	79,555	82,911	86,742

	Key Capital Expenditure Projects	for year ended	Pricing Period Starting Year 30 Jun 13	Pricing Period Starting Year + 1 30 Jun 14	Pricing Period Starting Year + 2 30 Jun 15	Pricing Period Starting Year + 3 30 Jun 16	Pricing Period Starting Year + 4 30 Jun 17
234	Short term capacity enhancements (DTB)		11,138	20,732	12	–	–
235	Baggage Reclaim Expansion (RECLAIM 1)		221	10,993	–	–	–
236	BHS feed expansion (or BHS 2)		–	–	6,028	6,343	–
237	Check in project		552	3,223	3,375	–	–
238	ITB Forecourt Reconfiguration (or FC3)		–	–	–	4,702	9,712
239	Landside ground floor capacity enhancement		–	–	–	2,425	13,674
240	New Stand 1		–	10,119	–	–	–
241	New Stand 2		–	–	11,750	–	–
242	Taxilane 1		–	11,244	–	–	–
243	Pier B ground boarding project (or PIERB 1)		–	–	15,275	–	–
244	Asphalt apron replacement		552	577	2,411	627	326
245	Concrete runway and apron replacement		5,520	6,922	3,617	6,269	6,520
246	ITB Airbridge refurbishment		1,767	1,615	965	502	391
247	Taxiway Lima		21,534	–	–	–	–
248	Other capital expenditure		24,300	17,347	12,946	16,025	17,497
249	Total forecast capital expenditure		65,584	82,773	56,379	36,893	48,120

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref *Version 2.0*

($000)

	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*
Airfield	–	93,296	–	93,296
Passenger Services Charge	140,946	–	–	140,946
				–
				–
Lease, rental and concession income	16,133	1,538	11,136	28,807
Other operating revenue	1,010	578	1,218	2,807
Net operating revenue	158,090	95,412	12,354	265,855
Gains / (losses) on asset sales	141	89	7	237
Other income				–
Total regulatory income	158,230	95,501	12,362	266,093
Total operational expenditure	62,820	24,604	3,198	90,621
Regulatory depreciation	28,724	15,432	1,555	45,711
Total revaluations	1,799	2,723	269	4,790
Allowance for long term credit spread	1	1	0	1
Regulatory tax allowance	20,480	15,415	2,193	38,088
Regulatory profit/ loss	48,005	42,771	5,685	96,461
Regulatory investment value	448,970	660,856	64,918	1,174,743

** Corresponds to values reported in the Report on Regulatory Profit and the Report on Return on Investment.*

Commentary on Segmented Information

This schedule provides a segmental breakdown of the entire airport business regulatory profit and return on investment data contained in schedules 1 and 2. Vanilla return on investment can be estimated for each regulated segment for the year ended 30 June 2015 by dividing regulatory profit / loss by regulatory investment value above. Post tax return on investment can be estimated by allocating the notional interest tax shield total from schedule 1 across the segments, eg based on relative regulatory investment value in each segment.

The estimated distribution of Auckland Airport's average annual post-tax FY15 ROI of 7.9% (8.5% excluding revaluations) across the regulated segments is as follows: 10.4% (11.0%) Passenger Terminal, 6.2% (6.7%) Airfield and 8.5% (9.5%) Aircraft and Freight. While passenger charges are allocated entirely to the Specified Passenger Terminal segment in these disclosure statements, as described in detail in Auckland Airport's Price Setting Disclosure for FY13-FY17, a portion of those charges actually relates to costs that are shared by airfield activities. This, in effect, spreads actual ROI more evenly between the terminal and airfield segments than implied above.

Aircraft and Freight charges are determined via arms-length transactions between Auckland Airport and its Aircraft and Freight tenants and these negotiations are underpinned by market based valuations and contractual dispute resolution procedures. As agreed with the major airlines and their representatives, the Aircraft and Freight charges are not subject the five yearly aeronautical price consultation process.

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 8: CONSOLIDATION STATEMENT

ref *Version 2.0*

8a: CONSOLIDATION STATEMENT

($000)

	Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business– GAAP	Unregulated Activities– GAAP	Airport Company– GAAP
Net income	266,093	–	266,093	239,490	505,583
Total operational expenditure	90,621	–	90,621	38,499	129,120
Operating surplus / (deficit) before interest, depreciation, revaluations and tax	175,471	–	175,471	200,992	376,463
Depreciation	45,711	3,708	49,418	15,370	64,791
Revaluations	4,790	(10,725)	(5,934)	51,175	45,241
Tax expense	38,088	(4,427)	33,661	52,725	86,385
Net operating surplus / (deficit) before interest	96,462	(10,006)	86,457	184,071	270,528
Property plant and equipment	1,163,605	838,102	2,001,707	1,882,385	3,884,090

8b: NOTES TO CONSOLIDATION STATEMENT

8b(i): REGULATORY / GAAP ADJUSTMENTS

($000)

Description of Regulatory / GAAP Adjustment	Affected Line Item	Regulatory / GAAP Adjustments *
The depreciation is $3.708m higher under GAAP due to: 1) Depreciation starting immediately under GAAP, but the year following commissioning for ID. 2) Differing valuation methodologies between regulatory and GAAP reporting. Further information is in the commentary below.	Depreciation	3,708
The difference in revaluations between regulatory and GAAP is due to the different valuation approaches used as described in the commentary below.	Revaluations	(10,725)
The regulatory/GAAP adjustment of $4.427m relates to deferred tax "income" of $7.539m that is recognised in Airport Business GAAP, offset by the tax effect of $3.112m in relation to the notional interest deduction, which is not claimed in the the GAAP tax calculation.	Tax expense	(4,427)
The Airport Business - GAAP PP&E is $838.102m higher because: 1) the GAAP asset valuations have resulted in higher values than the regulatory valuations. Further information on valuations is in the commentary below. 2) Future Use assets are excluded from "Airport Businesses" but included in "Airport Businesses - GAAP".	Property plant & equipment	838,102
	[Select one]	
	[Select one]	
	[Select one]	

** To correspond with the clause 8a column Regulatory/GAAP adjustments*

Commentary on the Consolidation Statement

Depreciation

Assets are depreciated under GAAP from their commissioning dates, but only depreciated from the following year under the Input Methodologies. This results in a higher GAAP depreciation in the first year of each asset's life. This difference would theoretically reverse in the final year of an asset's life, except that depreciation differences in subsequent years are modified by revaluations as explained below.

Depreciation differences also arise due to different valuations at the initial capitalisation and subsequent revaluations. The net effect of all valuation differences results in higher GAAP depreciation in FY15.

For regulatory purposes, the assets are initially capitalised at a higher value than under GAAP due to the capitalised WACC being greater than capitalised interest under GAAP. Assets are then revalued annually with a CPI adjustment. Regulatory depreciation increases in line with CPI.

For GAAP purposes, assets are revalued on an "as required" basis taking into account the change in cost to replace each asset and the remaining useful life for each asset. This causes differences in depreciation because:
1) the change in replacement cost does not match movements in CPI
2) the reassessment of remaining useful lives changes the depreciation rate

The net effect of these factors is higher depreciation under GAAP.

Revaluations

For regulatory reporting, all Airport Business assets are revalued annually based on CPI and the entire revaluation is recognised in the income statement.

The fair value of an asset under GAAP is determined, where possible, by reference to market based evidence, such as sales of comparable assets or discounted cash flows. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used.

For GAAP reporting, Auckland Airport revalues both property plant and equipment ("PP&E") and investment property ("IP") and the revaluations are treated differently. The Airport Business - GAAP only includes PP&E revaluations. The Airport Company - GAAP includes both PP&E and IP revaluations.

PP&E Revaluations

Under GAAP, the PP&E revaluations are performed on an "as required" basis and changes are generally recognised in the revaluation reserve rather than the income statement. However, when individual assets reduce in value, and those reductions do not offset previous revaluation increases, an expense is shown in the income statement. Any subsequent increases in those same assets would be shown as income in the income statement to the extent they reverse the previous expense.

At 30 June 2015, buildings and services and runways, taxiways and apron assets within the PP&E portfolio were revalued. This resulted in a net increase in asset values of $97.378m with $11.921m recognised as a loss in the income statement and $109.299m recognised as an increase through the revaluation reserve. Only the movement through the income statement is disclosed above. The portion of the income statement loss attributed to the Airport Business - GAAP was $5.934m.

IP Revaluations

The revaluation movements on investment property ($57.162m increase) are included in the Airport Company - GAAP and are conceptually similar to regulatory valuations in that the entire valuation increase is presented in the income statement and included in the disclosures above.

Tax Expense

The GAAP tax expense includes the impact of deferred tax movements.

The Input Methodologies require tax expense to be recognised on a tax payable approach, which therefore ignores the effect of deferred tax movements.

The tax expense for the Airport Businesses also includes a notional interest deduction as calculated in Schedule 1(b)(i) whereas the GAAP tax expense is before interest revenue and expenses.

Property, plant and equipment

The regulatory property, plant and equipment for the Airport Businesses consist of land carried at market value alternative use rolled forward at CPI and non-land assets at the 2009 initial RAB values rolled forward at CPI.

As noted above the GAAP values for property, plant and equipment are carried at fair value, which is higher than the regulatory carrying value. Also, Future Use assets are excluded from "Airport Businesses" but included in "Airport Businesses - GAAP" column.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS

ref *Version 2.0*

9a: Asset Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Land						
Directly attributable assets	205	313,820	25,359	339,384		339,384
Assets not directly attributable	21,123	5,067	543	26,733	10,525	37,258
Total value land				366,117		
Sealed Surfaces						
Directly attributable assets	–	230,692	–	230,692		230,692
Assets not directly attributable	–	–	–	–	–	–
Total value sealed surfaces				230,692		
Infrastructure and Buildings						
Directly attributable assets	58,388	50,690	32,113	141,192		141,192
Assets not directly attributable	348,086	45,716	4,974	398,776	201,093	599,869
Total value infrastructure and buildings				539,967		
Vehicles, Plant and Equipment						
Directly attributable assets	1,660	12,171	206	14,037		14,037
Assets not directly attributable	8,847	3,622	321	12,790	5,675	18,466
Total value vehicles, plant and equipment				26,828		
Total directly attributable assets	60,253	607,374	57,679	725,305		725,305
Total assets not directly attributable	378,056	54,405	5,838	438,299	217,293	655,592
Total assets	438,308	661,779	63,517	1,163,605	217,293	1,380,897

Asset Allocators

Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
Buildings:	ITB and DTB Space	Proxy Cost Allocator	The utilisation of the terminal buildings changes from year to year between regulated and non-regulated activities depending on evolvling passenger needs. Space is used as a proxy for estimating how the asset cost should be attributed between regulated and non-regulated activities. Separate analysis is undertaken for terminal zones built at different points in time (for example brownfield areas vs. greenfield development zones of Pier B and Expanded Arrivals).	Various asset elements
Infrastructure:	Company wide rule	Proxy Cost Allocator	The communications network provides benefit to the broader business. The company wide rule as described in the commentary to Schedule 10 is used as a proxy to share use between regulated and non-regulated activities. This proxy allocator is necessary as there is no usage / billing analysis available.	Communications network outside buildings
Infrastructure:	Charged Usage	Proxy Cost Allocator	The electricity network provides benefit to the broader business. The value of this asset is allocated based on share of Charged Usage by business unit and the allocation of those business units to regulated and non-regulated activities.	Electricity network outside buildings and related infrastructure in business unit
Infrastructure:	Charged Usage	Proxy Cost Allocator	The gas network provides benefit primarily to the terminal for general heating. The value of this asset is allocated based on share of Charged Usage by business units and the allocation of those business units to regulated and non-regulated activities.	Gas network outside buildings
Infrastructure:	Space	Proxy Cost Allocator	Where roads cannot be directly attributed (e.g. main arterials servicing the airport) they are considered to be shared across the business. ITB Space is used as a proxy for how roads are allocated. Where roads can be directly attributed to an activity (e.g. those servicing the runway or hangars) they are given an appropriate direct allocation. Roads directly servicing the domestic terminal are split based on the usage of space within the domestic terminal building. Forecourt areas are allocated according to a split between commercial and public space.	Roading and adjacent Infrastructure
Infrastructure:	Space	Proxy Cost Allocator	Lighting within shared areas is split based on the space based allocation of regulated and non-regulated activities use of those areas.	Lighting

	Infrastructure:	Space	Proxy Cost Allocator	Pavement associated with shared business units such as forecourt, terminals and storm water is shared between regulated and non-regulated activities based on the respective analysis of space associated with the business unit.	Pavement - mainly for parking other than roading and footpaths
	Infrastructure:	Space	Proxy Cost Allocator	There are a small number of shared assets which provide terminal signage and or access to terminal buildings. These assets are allocated using the ITB space allocation rule.	Signage outside buildings including traffic lights
	Infrastructure:	Space	Proxy Cost Allocator	The storm water network provides benefit to the broader business. The asset is allocated between regulated and non-regulated activities based on analysis of relative percentage of sealed surfaces associated with regulated and non-regulated activities.	Stormwater network outside buildings
	Infrastructure:	Charged Usage	Proxy Cost Allocator	The waste water network provides benefit to the broader business. The asset is allocated between regulated and non-regulated activities based on analysis of relative percentage of water used by each business unit which is in turn allocated to regulated and non-regulated activities.	Wastewater network outside buildings
	Infrastructure:	Charged Usage	Proxy Cost Allocator	The water network provides benefit to the broader business. The asset is allocated between regulated and non-regulated activities based on analysis of relative percentage of water used by each business unit which is in turn allocated to regulated and non-regulated activities.	Water network outside buildings
	Land:	Space	Proxy Cost Allocator	Land under the terminal is allocated to regulated and non-regulated activities on the same basis as building structure – i.e. based on the share of terminal space.	Land under terminals
	Plant & Equipment:	FTE Analysis	Proxy Cost Allocator	Motor vehicles used by Aeronautical management are shared between regulated and non-regulated activities based on the share of time spent between each regulated activity as indicated by staff in the operating cost business unit analysis.	Motor vehicles used by Aeronautical management
	Plant & Equipment:	Internal R&M Analysis	Proxy Cost Allocator	Motor vehicles used by Engineering Support Services are shared between regulated and non-regulated activities based on the product of: • how their activity has been consumed, proxied by share of engineering support services by business unit; and • the business unit rule.	Motor vehicles used by Engineering Support Services
	Plant & Equipment:	Internal R&M Analysis	Proxy Cost Allocator	In the same way as Plant & Equipment - Motor Vehicles internal R&M analysis above.	Plant
	Plant & Equipment:	Space	Proxy Cost Allocator	Plant and equipment which is not directly attributed is allocated to regulated and non-regulated activities on the same basis as building structure - based on the share of terminal space.	Plant
	Plant & Equipment:	Company-wide	Proxy Cost Allocator	Where Plant and Equipment (primarily IT related) cannot be directly attributed to a Specified Airport Service and non-Specified Airport Service and provides benefit to the broader business the company wide rule is used to allocate these assets.	Plant

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 2.0*

9b: Notes to the Report

9b(i): Changes in Asset Allocators

($000)

				Effect of Change in Current Year		
				CY-1 30 Jun 14	(CY) 30 Jun 15	CY+1 30 Jun 16
	Asset category					
	Original allocator or components		Original			
	New allocator or components		New			
	Rationale		Difference	–	–	–
	Asset category					
	Original allocator or components		Original			
	New allocator or components		New			
	Rationale		Difference	–	–	–

Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Asset Allocations

Auckland Airport's asset allocation methodology involves the following key steps:

1) Reviewing assets initially at the business unit level and then by exception at the asset type level. The business unit provides insight into the activities or services enabled by the asset.

2) Identifying business units whose assets are directly attributable to Specified Airport Activities and directly attributing their assets accordingly.

3) Identifying business units whose assets are indirectly attributable to Specified Airport Activities (ie. that are common or shared) and allocating those assets to Specified Airport Services using causal or proxy cost allocators.

The Asset Allocators table above summarises the common assets that have been shared across two or more regulated activities, or across both regulated and non-regulated activities in schedule 9(a).

Changes in Asset Allocators

There have been no changes in FY15 to the rules used to allocate assets. But, as usual, some of the percentage allocations have changed after updating the rules with FY15 data. The -$2.5m adjustment to Allocated RAB resulting from cost allocation shown in schedule 4 resulted from asset splits and changes in allocation percentages.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 10: REPORT ON COST ALLOCATIONS

ref | *Version 2.0*

10a: Cost Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Corporate Overheads						
Directly attributable operating costs	1	–	–	1		1
Costs not directly attributable	20,700	12,263	822	33,786	10,138	43,924
Asset Management and Airport Operations						
Directly attributable operating costs	7,207	3,319	561	11,087		11,087
Costs not directly attributable	6,405	3,914	1,107	11,425	15,106	26,531
Asset Maintenance						
Directly attributable operating costs	24,272	2,732	496	27,500		27,500
Costs not directly attributable	4,234	2,376	211	6,822	13,254	20,076
Total directly attributable costs	31,480	6,051	1,057	38,588		38,588
Total costs not directly attributable	31,339	18,553	2,141	52,033	38,499	90,532
Total operating costs	62,820	24,604	3,198	90,621	38,499	129,120

Cost Allocators

Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
Asset Maintenance	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Nature of costs support company-wide use	All costs lines within the INVENTORY STORE business unit.
Asset Maintenance	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the FACILITIES MNTCE - ADMIN business unit.
Asset Maintenance	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the BUILDING AND TERMINAL SERVICES business unit.
Asset Maintenance	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the ELECTRONIC SYSTEMS business unit.
Asset Maintenance	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the WORKS & UTILITY SERVICES business unit.
Asset Management & Airport Operations	Internal charges weighted by internal BU rules & external charges coded commercial direct	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	All cost lines within the Electricity business unit, except electricity internal charges and repairs and maintenance costs
Asset Management & Airport Operations	Internal charges weighted by internal BU rules & external charges coded commercial direct	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	All cost lines within the Water business unit except water internal charges and repairs and maintenance costs
Asset Management & Airport Operations	Internal charges weighted by internal BU rules & external charges coded commercial direct	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	All cost lines within the Gas business unit except internal gas charges and repairs and maintenance costs
Asset Management & Airport Operations	Weighted average of stormwater and wastewater rules based on NBV of assets: Stormwater = weighted average of rules	Causal Relationship	Impermeable area and metered usage deemed to be causal factors for generating the associated revenues and costs	All costs lines within the STORMWATER & WASTEWATER business unit except repairs and maintenance costs.
Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Predominately employee related costs	All costs lines within the AERO COMMERICAL MANAGEMENT business unit except repairs and
Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Predominately employee related costs	All costs lines within the ENVIRONMENT MANAGEMENT business unit except repairs and maintenance costs.
Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Predominately employee related costs	All costs lines within the POLICY MANAGEMENT business unit except repairs and maintenance costs.

35	Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Predominately employee related costs	All costs lines within the TRANSPORT MANAGEMENT business unit except repairs and maintenance costs.
36	Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Recovery on a network asset with company wide use.	All costs lines within the GAS LINE - PUHINUI RD BRIDGE business unit except repairs and maintenance costs.
37	Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the GROUND CARE business unit except repairs and maintenance costs.
38	Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the SECURITY business unit except repairs and maintenance costs.
39	Asset Management & Airport Operations	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the ASSET DATA SERVICES business unit except repairs and maintenance costs.
40	Asset Management & Airport Operations	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the PROJECTS AND PLANNING business unit except repairs and maintenance costs.
41	Asset Management & Airport Operations	Aeronautical revenues split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the RESCUE FIRE ADMIN business unit except repairs and maintenance costs.
42	Asset Management & Airport Operations	Share of rental revenues between aeronautical and non-aeronautical revenues	Proxy Cost Allocator	Revenues and costs relate to tenancies within the ITB.	All costs lines within the ITB TENANCIES ADMINISTRATIVE business unit except repairs and maintenance costs.
43	Asset Management & Airport Operations	Share of area between aeronautical and non-aeronautical activities	Proxy Cost Allocator	Property is used for both aeronautical and administrative purposes.	All costs lines within the INTERNATIONAL JETBASE business unit except repairs and maintenance costs.
44	Asset Management & Airport Operations	Split of rental revenues between aeronautical and non-aeronautical activities	Proxy Cost Allocator	BU dominated by rental revenue	All costs lines within the DHL business unit except repairs and maintenance costs.
45	Asset Management & Airport Operations	Rules applying to individual assets within this BU weighted by NBV	Proxy Cost Allocator	Costs associated with maintaining roads in the airport district	All costs lines within the ROADWAYS business unit except repairs and maintenance costs.
46	Asset Management & Airport Operations	Share of aeronautical and non aeronautical activities undertaken by ground handler	Proxy Cost Allocator	Revenues received allow ground handler to conduct a variety of aeronautical activities	All costs lines within the SKYCARE GROUND HANDLING LICENCE business unit except repairs and maintenance costs.
47					
48					

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

Version 2.0

Cost Allocators (cont)

ref	Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
57	Corporate Overheads	Employee time split	Proxy Cost Allocator	Staff have assessed time spent on aero, non aero and corporate functions and corporate overheads shared in proportion to this	All costs lines within the RETAIL MANAGEMENT business unit except repairs and maintenance costs.
58	Corporate Overheads	Employee time split	Proxy Cost Allocator	Staff have assessed time spent on aero, non aero and corporate functions and corporate overheads shared in proportion to this	All costs lines within the AERO MANAGEMENT business unit except repairs and maintenance costs.
59	Corporate Overheads	Employee time split	Proxy Cost Allocator	Staff have assessed time spent on aero, non aero and corporate functions and corporate overheads shared in proportion to this	All costs lines within the MARKETING AND BRANDING business unit except repairs and
60	Corporate Overheads	Employee time split	Proxy Cost Allocator	Staff have assessed time spent on aero, non aero and corporate functions and corporate overheads shared in proportion to this	All costs lines within the INSIGHT business unit except repairs and maintenance costs.
61	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the CORPORATE RELATIONS business unit except repairs and maintenance costs.
62	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the COMMUNITY RELATIONS business unit except repairs and maintenance costs.
63	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Nature of costs support company-wide use	All costs lines within the MARAE business unit except repairs and maintenance costs.
64	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the IT SYSTEMS business unit except repairs and maintenance costs.
65	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the BUSINESS SOLUTIONS business unit except repairs and maintenance costs.
66	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the ACCOUNTING business unit except repairs and maintenance costs.
67	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the BUSINESS INTELLIGENCE business unit except repairs and maintenance costs.
68	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the PURCHASING/PAYROLL business unit except repairs and maintenance costs.
69	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the MANAGING DIRECTOR & BOARD business unit except repairs and maintenance costs.
70	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the GOVERNMENT RELATIONS business unit except repairs and maintenance costs.
71	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the HUMAN RESOURCES business unit except repairs and maintenance costs.
72	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Nature of costs support company-wide use	All costs lines within the INTERNAL ELIMINATION business unit except repairs and maintenance costs.
73	Corporate Overheads	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy Cost Allocator	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the ENGINEERING SUPPORT SERVICES business unit except repairs and maintenance costs.
74	Corporate Overheads	Aeronautical revenues split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the MERITS REVIEW business unit except repairs and maintenance costs.

75	Corporate Overheads	Aeronautical revenues split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the COMMERCE AMENDMENT ACT business unit except repairs and maintenance costs.
76	Corporate Overheads	Mix of aeronautical revenues split and company-wide rule.	Proxy Cost Allocator	Marketing incentive costs are associated with aeronautical activities (airfield and passenger terminal), all other costs support the entire company.	All costs lines within the ROUTE DEVELOPMENT business unit except repairs and maintenance costs.
77	Corporate Overheads	Aeronautical revenues split excluding aircraft and freight revenues	Proxy Cost Allocator	Costs associated with both Airfield and Passenger Terminal Pricing	All costs lines within the AERONAUTICAL PRICING business unit except repairs and maintenance costs.
78	Asset Management & Airport Operations	70% terminal / 30% commercial	Proxy Cost Allocator	Management fees paid to ADT to management public and commercial forecourt areas	Management Fees within the PSVL (TRANSPORT LICENCE) business unit.
79	Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	Internal electricity charges within the ELECTRICITY (INCL RETICULATION & POWER CTRS) business unit.
80	Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	Internal water charges within the WATER (INCL RETICULATION, RESERVOIRS & PUMP STATION) business unit.
81	Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	Internal gas charges within the GAS (INCL RETICULATION) business unit.
82	Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Salaries associated with management of investment properties as well as aircraft and freight facilities	Salary costs within the PROPERTY Management business unit.
83	Corporate Overheads	Insurance-specific company-wide allocation based on nature of activities insured	Proxy Cost Allocator	Insurance premiums cover both aeronautical and non aeronautical activities	Insurance Premiums within the GENERAL COUNSEL & CO SECRETARY business unit.
84	Asset Maintenance	Various business unit allocation rules	Proxy Cost Allocator	All repairs and maintenance costs have been classified as asset maintenance expenditure. These costs have been allocated to regulatory segments based on the individual business unit	All Repairs and maintenance object codes within all business units.
85	Corporate Overheads	Aeronautical revenues / costs split excluding aircraft and freight revenues/expenses	Proxy Cost Allocator	Costs associated with both Airfield and Passenger Terminal operations management.	All costs lines within the AIRSIDE OPERATIONS MANAGEMENT business unit except repairs and maintenance costs.
86	Asset Management & Airport Operations	Space based split based on area of building occupied by AIAL and external tenants	Proxy Cost Allocator	Costs related to the Quad 5 Building including the AIAL Management Offices	All costs lines within the QUAD 5 business unit except repairs and maintenance costs.
87	Corporate Overheads	Employee time split	Proxy Cost Allocator	Staff have assessed time spent on aero, non aero and corporate functions and corporate overheads shared in proportion to this	All costs lines within the INTERNAL COMMS business unit except repairs and maintenance costs.
88	Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the STATUTORY PLANNING business unit except repairs and maintenance costs.
89	Asset Management & Airport Operations	Aeronautical revenues split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the AERO PERFORMANCE & PLANNING business unit except repairs and maintenance costs.
90	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	Support function to the entire Company	All costs lines within the CORPORATE OFFICE business unit except repairs and maintenance costs.
91	Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the INTEGRATED TERMINAL FACILITY business unit except repairs and maintenance costs.
92					
121					

122 ** A description of the metric used for allocation, e.g. floor space.*

123

Regulated Airport	Auckland International Airport Limited
For Year Ended	30 June 2015

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 2.0*

10b: Notes to the Report

10b(i): Changes in Cost Allocators

($000)

			Effect of Change		
			CY-1	Current Year (CY)	CY+1
			30 Jun 14	30 Jun 15	30 Jun 16
Operating cost category	Asset Mangement & Airport Operations				
Original allocator or components	Aeronautical revenues split	Original	401	1,380	1,244
New allocator or components	Employee time split	New	324	1,116	1,006
Rationale	Previously costs in the INTEGRATED TERMINAL FACILITY business unit were allocated 100% to Aeronautical using the Aeronautical revenues split. This business unit supports the masterplanning and delivery of strategic projects across the Airport including Airport & Terminal, Utilities and Roadway planning, including the Geographic Information Systems team Management has determined that as the development and delivery focus changes over time a proxy cost allocator based on employee time spent on annual non-capitalised activities is best and fairest allocation approach for this business unit.	Difference	77	264	238
Operating cost category	Asset Mangement & Airport Operations				
Original allocator or components	Aeronautical revenues split	Original	505	769	815
New allocator or components	Employee time split	New	408	622	659
Rationale	Previously costs in the STATUTORY PLANNING business unit were allocated 100% to Aeronautical using the Aeronautical revenues split. This business unit supports the masterplanning and delivery of strategic projects across the Airport including Airport & Terminal plus Utilities and Roadway planning. Management has determined that as the development and delivery focus changes over time a proxy cost allocator based on employee time spent on annual non-capitalised activities is best and fairest allocation approach for this business unit.	Difference	97	147	156
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Cost Allocations

General Information on Cost Allocations

Auckland Airport's financial reporting system groups costs into several business units reflecting the various aeronautical and non-aeronautical business activities undertaken by the company. For the purposes of allocating costs in the disclosure reports, Auckland Airport apportioned each business unit's operating costs across both regulated and non-regulated activities. This was performed as follows:

1. Identified the activities undertaken by each business unit;

2. Identified business units whose costs are attributable to a single regulated aeronautical activity and directly attributed those costs to those activities accordingly;

3. Identified business units whose costs are shared across more than one regulated activity and/or between regulated and non-regulated activities and allocated

3. Identified business units whose costs are shared across more than one regulated activity and/or between regulated and non-regulated activities and allocated those costs to those activities accordingly;

4. Used causal allocators where appropriate to allocate those common costs across regulated and/or non-regulated activities;

5. Allocated the remainder of common costs using proxy allocators.

The report on cost allocations above lists the costs and describes the allocators used for those business units whose costs are either shared within regulated activities, or shared across both regulated and non-regulated activities. A more detailed description of those cost allocators follows:

1. The company-wide rule is used to apportion the shared costs of business unit activities which support both regulated and non-regulated activities. This rule comprises the following two components. The first component uses the share of the international terminal building space ("ITB space") to proxy a fair share of regulated costs and non-regulated costs. The second component splits the regulated costs across terminal and airfield activities based on the aeronautical revenues split rule.

2. The aeronautical revenues split rule is used to apportion shared aeronautical costs across the three regulated activities. This rule is calculated based on the split of directly attributed aeronautical revenues from the three regulated activities.

3. Airfield and terminal revenues are used to share costs associated with regulated activities that are common to airfield and terminal activities, but not to aircraft and freight (for example the aeronautical pricing process).

4. The employee time split rule is used to apportion the shared costs of business units whose expenses are dominated by employee-related costs. The apportioning between regulated and non-regulated activities is based on salary-weighted time splits and it differs between business units reflecting the differing responsibilities and activities of staff within each business unit.

5. The utilities rule allocates electricity, water and gas charges that are booked to internal business units across regulated and non-regulated activities based on those business units' individual allocation rules. All external utilities charges are classified commercial direct (non-regulated activities). The assets and costs of the utilities business units are split according to the same proportions.

6. The stormwater and wastewater rule is only used to allocate the operating cost of the stormwater and wastewater business unit. This is necessary because operating expenditure is not managed discretely between stormwater and wastewater. Therefore a weighted average combination of the underlying asset rules is used to allocate the cost of this business unit. The key steps are as follows:

a. the stormwater rule examines sealed (impermeable) surface area usage between regulated and non-regulated activities.

b. the wastewater rule examines metered water usage between regulated and non-regulated activities.

c. The two rules are combined based on the relative book value of the stormwater versus the wastewater assets and the underlying rules in order to allocate the operating costs associated with this business unit.

7. The roadways rule is used to apportion the shared costs of the roadways business unit across regulated and non-regulated activities based on the regulatory coding of individual roading assets. Individual roading assets comprising the roading network (e.g. paved areas, kerbside and footpaths) have been given regulatory codes, in most cases reflecting the location of those assets. Roads that primarily carry traffic to and from the international terminal are allocated across a range of regulated and non-regulated activities using the ITB Space Allocation Rule.

8. Engineering and support services costs are allocated across regulated and non-regulated activities based on a two-step process:

a. First the internal repairs and maintenance charges to business units are summed by internal business unit.

b. Then the allocation rule is calculated based on the product of the charge by business unit and the default rule associated with each business unit (e.g. direct or otherwise).

Comparison of Outcome of Cost Allocations

The cost allocation rules and the allocation processes have been highly consistent across FY11 to FY15. Overall operating expenditure allocated to regulated categories has fallen to 70% from 73% for the last three financial years, and is down from 75% in FY11.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES

Version 2.0

ref		Number	Total Duration Hours	Total Duration Minutes
6	**Runway**			
7	The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8	Airports	–	–	
9	Airlines/Other	1	–	18
10	Undetermined reasons	–	–	–
11	Total	1	–	18
12	**Taxiway**			
13	The number and duration of interruptions to taxiway(s) during disclosure year by party primarily responsible			
14	Airports	–	–	–
15	Airlines/Other	–	–	–
16	Undetermined reasons	–	–	–
17	Total	–	–	–
18	**Remote stands and means of embarkation/disembarkation**			
19	The number and duration of interruptions to remote stands and means of embarkation/disembarkation during disclosure year by party primarily responsible			
20	Airports	–	–	–
21	Airlines/Other	–	–	–
22	Undetermined reasons	–	–	–
23	Total	–	–	–
24	**Contact stands and airbridges**			
25	The number and duration of interruptions to contact stands during disclosure year by party primarily responsible			
26	Airports	15	33	49
27	Airlines/Other	3	1	18
28	Undetermined reasons	–	–	–
29	Total	18	35	07
30	**Baggage sortation system on departures**			
31	The number and duration of interruptions to baggage sortation system on departures during disclosure year by party primarily responsible			
32	Airports	11	47	05
33	Airlines/Other	–	–	–
34	Undetermined reasons	–	–	–
35	Total	11	47	05
36	**Baggage reclaim belts**			
37	The number and duration of interruptions to baggage reclaim belts during disclosure year by party primarily responsible			
38	Airports	1	2	–
39	Airlines/Other	–	–	–
40	Undetermined reasons	–	–	–
41	Total	1	2	–
42	**On-time departure delay**			
43	The total number of flights affected by on time departure delay and the total duration of the delay during disclosure year by party primarily responsible			
44	Airports	17	7	38
45	Airlines/Other	10	3	16
46	Undetermined reasons	–	–	–
47	Total	27	10	54
48				

Regulated Airport	Auckland International Airport Limited
For Year Ended	30 June 2015

Version 2.0

Fixed electrical ground power availability (if applicable)

The percentage of time that FEGP is unavailable due to interruptions* 0.95%

** Disclosure of FEGP information applies only to airports where fixed electrical ground power is available.*

Commentary concerning reliability measures

Trends in faults, interruptions and on-time performance are monitored regularly by management. Auckland Airport investigates all on-time performance issues where Auckland Airport is identified as the party responsible. Root cause reports are prepared and actions identified to prevent re-occurrence of the interruption and to seek to continually improve the service provided to airlines and passengers. These processes have led to a 14% improvement in the number of interruptions, reducing from 36 for the year ended 2014 to 31 in the year ended 2015, and follow achievement of a 61% reduction for the previous 12 months. With approximately 151,000 aircraft movements in FY15, the ratio of number of interruptions to aircraft movements has continued to improve (0.0205%), thus contributing towards a strong operational performance in FY15 for Auckland Airport.

1. Interruptions

Auckland Airport captures and records interruptions to its services through its fault management system. Appendix C to the Commerce Commission Information Disclosure (Airport Services) Reasons Paper dated 22 December 2010 outlines the conditions in which an interruption to the supply of a material service is defined, identified and recorded. The fault management system has been designed to record interruptions based on the definition outlined in Appendix C. All systems faults are reviewed on a monthly basis to ensure that interruptions that meet the conditions defined by Appendix C are captured.

Auckland Airport is required to report interruptions for the following material services:

- Runway
- Taxiway
- Remote stands and means of embarkation/disembarkation
- Contact stands and air-bridges
- Baggage sortation system on departures
- Baggage reclaim belts

The tables outlined earlier in these schedules report the number and duration of material service interruptions. To provide the most appropriate context for consumers, a further way to view this information is to consider the proportion of the time that the material service is available. For the disclosure year ended 2015, the percentage of time that Auckland Airport's material services were available was as follows:

Runway	100.0%[1]
Taxiway	100.0%
Remote stands and means of embarkation/disembarkation	100.0%
Baggage reclaim belts	100.0%[1]
Contact stands and air-bridges	99.6%
Baggage sortation system on departures	99.5%

[1]The single short term interruptions to the runway and baggage reclaim belts availability disclosed in schedule 11 were not of sufficient duration to reduce the total availability below 100.0% to one decimal place for these services.

Runway and Taxiway Performance

In FY15, there was one very short runway interruption that resulted in on-time departure delays. This occurred due to glass on the runway after an aircraft ran over lights while taking off. The runway was temporarily closed while this was removed. The runway outage lasted 18 minutes, affecting 20 flights. Of the 20 flights affected, eight were delayed for a total duration of 149 minutes.

Contact Stand and Air-bridge Performance

Over the year interruptions to contact stands and air bridges reduced significantly, falling from 31 in FY14 to 18 in FY15.

Notwithstanding the high availability of air bridges, Auckland Airport continues to use non-destructive methods to test the condition of air bridges and invest in the air bridge refurbishment and replacement programme. This programme is expected to continue until FY18.

Additionally, Auckland Airport is now planning an assessment of the capacity and capability of its contact stands and air bridges against forecast growth requirements. With forecast levels of bus operations increasing significantly the airport is investigating the acceleration of additional contact stands and air bridges on Pier B.

Taxiways

There were no interruptions relating to taxiways in FY15.

Baggage Sortation

The baggage sortation system was impacted by 11 interruptions in FY15, up from two in FY14. The increase in the current year was predominantly due to multiple outages with the domestic terminal baggage sortation system. This is due to the age of the system. Auckland Airport is currently assessing different options to improve the reliability of the domestic terminal baggage sortation system.

Baggage Reclaim

There was only one interruption in FY15, down from two in FY14. This matches the very low number of interruptions reported last year.

2. On-time departure delays

The Determination defines on-time departure delays for the purposes of information disclosure reporting as occurring when a scheduled service has been delayed by more than 15 minutes, primarily as a result of an interruption to specified airport services. The on-time departure delays reported are therefore only a subset of all on-time departure delays that occur.

On-time departure delays relating to interruptions have been captured in the fault management system. All on-time departure delays that are visible to the apron tower are logged in the system. Management conducts a detailed review each month to ensure that on-time delays are correctly captured. As with the interruption reporting, the upgrades to the fault management system and AOS have improved the accuracy of on-time departure delays by making it easier to determine whether a flight was on-schedule or off-schedule.

In the current year, there were 27 on-time departure delays, 14 more than the prior year. This increase was predominantly due to:

- The runway outage incident as described above in "Runway and Taxiway Performance" section. This incident contributed to eight on-time departure delays in FY15.
- The age of the domestic terminal baggage sortation system as described above in "Baggage Sortation" section. This factor contributed to six on-time departure delays in FY15.

The composition of the remainder on-time departure delays (13) were consistent with prior year, with 10 attributable to contact stand / air bridge outages and three attributable to baggage sortation systems.

3. Fixed electrical ground power unit (FEGP) availability

FEGP interruptions have been captured by matching the outage data from the fault management system with data on when airlines were using stands with FEGPs. If an outage over 15 minutes coincided with a time when the FEGP was required by an airline, it was recorded as an interruption.

The percentage of time FEGP's were available in FY15 increased to 99.05% from 97.24% in FY14. This is predominantly due to:

- The upgrade of FEGP cabling (scissor supports) and unit system (as described in the below paragraphs) that uses more modern technology that is less prone to damages to the cables and plugs due to constant use; and
- Auckland Airport continuing to work with suppliers closely to ensure that they are holding sufficient stock of key parts.

As mentioned in the prior years, Auckland Airport continued with the scissor supports installation in FY15 to assist the use of FEGPs for all aircraft. Seven of these units were installed in the current year with additional three to be installed in FY16. This initiative was implemented to improve the health and safety of ground handlers and to reduce the time taken to deploy FEGPs.

In FY15, Auckland Airport continued to work with Air New Zealand to support the introduction of the new Boeing 787-900 series aircraft. Three more of the new FEGP units capable for this type of aircraft were installed in the current year with an additional unit to be installed in FY16. The remaining units will be upgraded once the existing units fail, balancing cost and the need for increased flexibility as more Boeing 787-900s are introduced. Further detail is available in schedule 15.

Must include information on how the responsibility for interruptions is determined and the processes the Airport has put in place for undertaking any operational improvement in respect of reliability. If interruptions are categorised as "occurring for undetermined reasons", the reasons for inclusion in this category must be disclosed.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 12: REPORT ON CAPACITY UTILISATION INDICATORS FOR AIRCRAFT AND FREIGHT ACTIVITIES AND AIRFIELD ACTIVITIES

ref *Version 2.0*

Runway

		Runway #1	Runway #2	Runway #3
Description of runway(s)	Designations	23L/05R	N/A	N/A
	Length of pavement (m)	3,635	N/A	N/A
	Width (m)	45	N/A	N/A
	Shoulder width (m)	30	N/A	N/A
	Runway code	4F	N/A	N/A
	ILS category	Category III B	N/A	N/A
Declared runway capacity for specified meteorological condition	VMC (movements per hour)	40	N/A	N/A
	IMC (movements per hour)	32	N/A	N/A

Taxiway

		Taxiway #1	Taxiway #2	Taxiway #3	Taxiway #4
Description of main taxiway(s)	Name	Alpha	Bravo	Delta	Lima
	Length (m)	3,204	2,447	333	670
	Width (m)	45	24	23	25
	Status	Full length	Part length	Part length	Part length
	Number of links	11	10	4	1

Aircraft parking stands

Number of apron stands available during the runway busy day categorised by stand description and primary flight category

		Contact stand–airbridge	Contact stand–walking	Remote stand–bus
Air passenger services	International	12	–	26
	Domestic jet	9	1	–
	Domestic turboprop	–	10	8
Total parking stands		21	11	34

Busy periods for runway movements

	Date
Runway busy day	24 April 2015
Runway busy hour start time (day/month/year hour)	22 May 2015 6 p.m.

Aircraft movements

Number of aircraft runway movements during the runway busy day with air passenger service flights categorised by stand description and flight category

		Contact stand–airbridge	Contact stand–walking	Remote stand—bus	Total
Air passenger services	International	112	–	2	114
	Domestic jet	132	2	–	134
	Domestic turboprop	–	200	–	200
	Total	244	202	2	448
Other (including General Aviation)					21
Total aircraft movements during the runway busy day					469

Number of aircraft runway movements during the runway busy hour: 38

Commentary concerning capacity utilisation indicators for aircraft and freight activities and airfield activities

There have been no changes to the reported runway capacity in FY15, as sourced from Auckland Airport's published Aeronautical Information Publication (AIP). The declared runway capacity under visual meteorological conditions is set at 40 movements per hour. This drops to 32 movements per hour in instrument meteorological conditions, when a greater allowance is required for missed approaches, and 20 movements per hour in fog.

The runway mode of operation depends on the wind direction. In most instances, aircraft land and take off into the wind. Auckland Airport's prevailing wind direction is westerly. Under westerly wind conditions, aircraft land and take off using RWY 23L. RWY 23L is therefore used more than the easterly facing RWY 05R. RWY 23L is equipped with a Category III B instrument landing system. The first such system installed in New Zealand. This means that pilots can land with a 0 feet cloud base and 75 metres of visibility. This has played a major part in reducing the impact of fog and low-visibility on jet aircraft operations over recent years. RWY 05R is equipped with a Category I instrument landing system. This allows pilots to land with a cloud base of 215 feet and at least 800 metres of visibility. During low visibility operations, pilots are still able to land using RWY 23L, whereas they may not be able to land using RWY 05R.

In FY15, Auckland Airport has continued to work with stakeholders to assess ways to increase its airport runway capacity and efficiency. One of the key projects was to review the options for runway contingency at Auckland Airport, with the aim to better manage airfield safety, heavy maintenance (slab replacement), routine maintenance, approach maintenance, and overall airfield contingency including disaster recovery. This project is currently assessing the possibility of operating a flexible contingent runway at Auckland, similar to Gatwick Airport. The assessment will include a review of the infrastructure in place and the procedures Gatwick Airport use to switch between their main runway and their emergency (contingent) runway. A flexible contingent runway at Auckland could allow:

- The rapid switch from the main runway to the use of Taxiway Alpha as a runway (15-30 mins switch over);
- The possibility of a regular 8 hour maintenance window on the main runway (the current maintenance window is restricted to 3 hours on a Monday morning);
- The ability to complete larger runway works by closing the main runway and using the contingent runway over successive nights;
- The rapid availability of a second runway if the main runway was closed due to a major incident or safety issue;
- A reduction in Auckland Airport's and our airline customers' exposure to only having a single no-curfew runway.

Additionally, in FY15, identified airside aerodrome centric improvements were implemented to minimise apron congestions during peak times, including future summer peaks. One of the significant improvement projects was the implementation of Airport Collaborative Decision Making (A-CDM) tool. Refer to Schedule 15 for further information.

In FY15, Airways New Zealand, Auckland Airport and the Board of Airline Representatives New Zealand (BARNZ) continued to progress the introduction of new flight paths, called SMART Approaches, into Auckland Airport. The SMART Approaches use satellite-based navigation and enable aircraft to burn less fuel, emit less carbon dioxide and fly more quietly. They contribute to international aviation carbon dioxide-emission reduction proposals and are aligned with the Government's National Airspace and Air Navigation Plan. The SMART Approaches are in line with global developments and safely enable the growth of Auckland Airport, which is vital to New Zealand's economy. On 28 May 2015, together with our aviation industry partners, we permanently implemented the Green X23A and Blue X05A SMART Approaches for flights arriving into Auckland Airport from the North. These two flight paths were modified following a trial in 2012 and 2013 and public consultation process. The implemented flight paths are higher and their approach curves wider than the paths used in the trial – to reduce aircraft noise, use even less fuel and deliver benefits for the environment. The SMART Approach for flights arriving into Auckland Airport from the South, known as Red Y23, has continued to be flown since the trial's conclusion and was approved for use between 7am and 10pm in the trial's final report in December 2014. Also on 28 May 2015, a trial of a new SMART Approach to Auckland Airport from the North was announced. The trial of the third SMART Approach flight path from the North, known as Yellow U23, began on 1 September 2015 and will continue for up to 12 months. This too is higher and its approach curves wider than the flight paths in the initial SMART Approach trial. Yellow U23 can be used between 7am and 10pm by up to 10 aircraft per day. At the conclusion of the trial, aircraft will stop using the flight path and a draft report will be published for public consultation.

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES

Version 2.0

ref	Outbound (Departing) Passengers	International terminal	Domestic terminal	Common area †
	Landside circulation (outbound)			
	Passenger busy hour for landside circulation (outbound)—start time (day/month/year hour)	30 Nov 2014 6 p.m.	6 Dec 2014 7 a.m.	N/A
	Floor space (m^2)	4,431	1,569	N/A
	Passenger throughput during the passenger busy hour (passengers/hour)	1,850	1,211	N/A
	Utilisation (busy hour passengers per $100m^2$)	42	77	N/A
	Check-in			
	Passenger busy hour for check-in—start time (day/month/year hour)	30 Nov 2014 6 p.m.	6 Dec 2014 7 a.m.	N/A
	Floor space (m^2)	4,602	841	N/A
	Passenger throughput during the passenger busy hour (passengers/hour)	1,850	1,211	N/A
	Utilisation (busy hour passengers per $100m^2$)	40	144	N/A
	Baggage (outbound)			
	Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	30 Nov 2014 6 p.m.	6 Dec 2014 7 a.m.	N/A
	Make-up area floor space (m^2)	8,457	3,260	N/A
	Notional capacity during the passenger busy hour (bags/hour)*	3,060	2,000	N/A
	Bags processed during the passenger busy hour (bags/hour)*	1,830	932	N/A
	Passenger throughput during the passenger busy hour (passengers/hour)	1,850	1,211	N/A
	Utilisation (% of processing capacity)	60%	47%	N/A

** Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.*

	Passport control (outbound)	
	Passenger busy hour for passport control (outbound)—start time (day/month/year hour)	30 Nov 2014 6 p.m.
	Floor space (m^2)	799
	Number of emigration booths and kiosks	21
	Notional capacity during the passenger busy hour (passengers/hour) *	1,632
	Passenger throughput during the passenger busy hour (passengers/hour)	1,850
	Utilisation (busy hour passengers per $100m^2$)	232
	Utilisation (% of processing capacity)	113%

** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*

	Security screening		
	Passenger busy hour for security screening—start time (day/month/year hour)	30 Nov 2014 6 p.m.	10 Mar 2015 7 a.m.
	Facilities for passengers excluding international transit & transfer		
	Floor space (m^2)	303	552
	Number of screening points	6	5
	Notional capacity during the passenger busy hour (passengers/hour) *	1,620	1,350
	Passenger throughput during the passenger busy hour (passengers/hour)	1,850	987
	Utilisation (busy hour passengers per $100m^2$)	611	179
	Utilisation (% of processing capacity)	114%	73%
	Facilities for international transit & transfer passengers		
	Floor space (m^2)	85	
	Number of screening points	2	
	Notional capacity during the passenger busy hour (passengers/hour)*	540	
	Estimated passenger throughput during the passenger busy hour (passengers/hour)	–	
	Utilisation (busy hour passengers per $100m^2$)	–	
	Utilisation (% of processing capacity)	–	

** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*

Regulated Airport	**Auckland International Airport Limited**	
For Year Ended	**30 June 2015**	

SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES (cont 1)

Version 2.0

ref		International terminal	Domestic terminal	Common area †
62	**Airside circulation (outbound)**			
63	Passenger busy hour for airside circulation (outbound)—start time			
64	(day/month/year hour)	30 Nov 2014 6 p.m.	6 Dec 2014 7 a.m.	
65	Floor space (m²)	8,575	2,273	
66	Passenger throughput during the passenger busy hour (passengers/hour)	1,850	1,211	
67	Utilisation (busy hour passengers per 100m²)	22	53	
68	**Departure lounges**			
69	Passenger busy hour for departure lounges—start time (day/month/year hour)	30 Nov 2014 6 p.m.	6 Dec 2014 7 a.m.	
70	Floor space (m²)	6,716	2,604	
71	Number of seats	2,625	863	
72	Passenger throughput during the passenger busy hour (passengers/hour)	1,850	1,211	
73	Utilisation (busy hour passengers per 100m²)	28	47	
74	Utilisation (passengers per seat)	0.7	1.4	
75	**Inbound (Arriving) Passengers**			
76	**Airside circulation (inbound)**			
77	Passenger busy hour for airside circulation (inbound)—start time			
78	(day/month/year hour)	5 Jan 2015 3 p.m.	6 Apr 2015 6 p.m.	N/A
79	Floor space (m²)	9,830	2,298	N/A
80	Passenger throughput during the passenger busy hour (passengers/hour)	1,955	1,356	N/A
81	Utilisation (busy hour passengers per 100m²)	20	59	N/A
82	**Passport control (inbound)**			
83	Passenger busy hour for passport control (inbound)—start time			
84	(day/month/year hour)	5 Jan 2015 3 p.m.		
85	Floor space (m²)	1,656		
86	Number of immigration booths and kiosks	56		
87	Notional capacity during the passenger busy hour (passengers/hour) *	3,272		
88	Passenger throughput during the passenger busy hour (passengers/hour)	1,938		
89	Utilisation (busy hour passengers per 100m²)	117		
90	Utilisation (% of processing capacity)	59%		
91	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
92	**Landside circulation (inbound)**			
93	Passenger busy hour for landside circulation (inbound)—start time			
94	(day/month/year hour)	5 Jan 2015 3 p.m.	6 Apr 2015 6 p.m.	N/A
95	Floor space (m²)	1,532	1,569	N/A
96	Passenger throughput during the passenger busy hour (passengers/hour)	1,938	1,356	N/A
97	Utilisation (busy hour passengers per 100m²)	127	86	N/A
98	**Baggage reclaim**			
99	Passenger busy hour for baggage reclaim—start time (day/month/year hour)	5 Jan 2015 3 p.m.	6 Apr 2015 6 p.m.	
100	Floor space (m²)	5,530	1,066	
101	Number of reclaim units	6	2	
102	Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	2,042	938	
103	Bags processed during the passenger busy hour (bags/hour)*	1,917	1,044	
104	Passenger throughput during the passenger busy hour (passengers/hour)	1,938	1,356	
105	Utilisation (% of processing capacity)	94%	111%	
106	Utilisation (busy hour passengers per 100m²)	35	127	
107	** Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.*			
108	**Bio-security screening and inspection and customs secondary inspection**			
109	Passenger busy hour for bio-security screening and inspection and			
110	customs secondary inspection—start time (day/month/year hour)	5 Jan 2015 3 p.m.		
111	Floor space (m²)	2,416		
112	Notional MAF secondary screening capacity during the passenger busy hour	1,527		
113	(passengers/hour)*			
114	Passenger throughput during the passenger busy hour (passengers/hour)	1,938		
115	Utilisation (% of processing capacity)	127%		
116	Utilisation (busy hour passengers per 100m²)	80		
117	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
118	**Arrivals concourse**			
119	Passenger busy hour for arrivals concourse—start time (day/month/year hour)	5 Jan 2015 3 p.m.	6 Apr 2015 6 p.m.	N/A
120	Floor space (m²)	1,843	143	N/A
121	Passenger throughput during the passenger busy hour (passengers/hour)	1,938	1,356	N/A
122	Utilisation (busy hour passengers per 100m²)	105	948	N/A

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES (cont 2)

ref *Version 2.0*

		International terminal	Domestic terminal	Common area †
131	**Total terminal functional areas providing facilities and service directly for passengers**			
132	Floor space (m^2)	56,775	13,903	N/A
133	Number of working baggage trolleys available for passenger use			
134	at end of disclosure year	2,691	923	N/A

135 **Commentary concerning capacity utilisation indicators for Passenger Terminal Activities**

136 1. General comments on capacity utilisation

137
138 Auckland Airport's preference is to maximise the utility of existing assets. In this regard, Auckland Airport pursues innovations and strives for best practice
139 maintenance, management technology and operational efficiency. Auckland Airport also places value on sustainable maintenance and construction practices. A
140 key objective is to provide reliable assets that ensure safe and efficient operations with an optimised lifetime value for the asset. These are complemented by
Auckland Airport's well established practices for exploring process efficiency options prior to capital expenditure on investment.
141
142 In the international terminal, the capacity utilisation indicators suggest that the emigration processes, outbound security screening, in bound bio-security screening
143 and baggage reclaim are nearing, or at, full capacity. Further investment in the baggage reclaim area was included in the capital expenditure envelope agreed at
144 the last pricing round. Following the conclusion of the Masterplan, the siting of future baggage reclaim belt capacity was finalised. Following consultation and
145 agreement with BARNZ, Auckland Airport is investing in two new Code F compliant baggage reclaim belts. The first belt was delivered for the FY15 summer peak
146 and the second is scheduled to be operational for the FY16 summer peak. The second reclaim unit will add some flexibility and redundancy to the system while
capital works to expand the emigration facilities are in progress and also allow Auckland Airport to better manage the trend towards the up-gauging of aircraft.
147
148 As part of the works to increase capacity in the baggage hall, the MPI area has also been expanded. The expanded area will provide opportunities to further
149 optimise the capacity of the biosecurity area. This expansion was completed for the FY15 summer peak.

150 Auckland Airport is near the completion of the detailed design stage of an extensive expansion of level 1 of the international terminal. This expansion will include a
151 significant expansion of the emigration facility as well as an expanded airside lounge and retail offerings. This expansion will result in a significant capacity increase
152 for the emigration process including significantly larger spaces for both passport control and security screening, as well as providing a flexible footprint to be able to
153 manage changes in security and technology. The expanded emigration facility is scheduled to be delivered in late 2016. The expanded airside lounge and retail
154 offerings will be delivered in several stages with a target project completion of early calendar 2018.

155 The domestic terminal is nearing the end of its life-span. To accommodate growth in the near term, Auckland Airport has prioritised investment to alleviate some of
156 the main congestion points. This project, the DTB Capacity Enhancement project, was agreed as part of the pricing envelope and has been consulted on and
157 agreed with BARNZ. The project was substantially completed during FY14. The departure lounges, airside circulation, security screening and baggage reclaim
158 areas were all expanded to reduce congestion and improve the customer experience.
159
160 The expansion of the domestic terminal is expected to extend the life of the facility over the short to medium term. However, sometime in the next decade we
161 anticipate that a new and integrated facility will be required. The integrated terminal programme has been excluded from the current pricing schedule. However,
early inception studies have commenced in FY15 and feasibility studies and consultation will follow in FY16.
162
163 2. Floor spaces
164
165 In 2010, international aviation consultant Airbiz was engaged to compile estimates of capacity and utilisation measures as required by the new information
166 disclosure regime. As part of this work, Airbiz completed estimates of the floor spaces. The reported floor spaces contained in these schedules are based on
Airbiz' work, adjusted to account for changes since 2010. Where changes have been significant, the definitions of areas are consistent with Airbiz' analysis.
167
168 Significant changes to floor spaces from the previous disclosure year are:
169
170 International Terminal
171
172 • Landside Circulation (Outbound) - decrease of 1,029 sqm due to the closure of the viewing platform on Level 3 and surrounding circulation areas on Level 2 due
to the construction of the new Air New Zealand international Koru lounge.
173 • Airside Circulation (Outbound) – 390sqm decrease due to changes in retail lease lines, reducing circulation areas.
174 • Airside Circulation (Inbound) - increase of 1,220 sqm due to new airside circulation created in the vicinity of the new baggage belt.
175 • Baggage Reclaim - increase of 1,182 sqm from the construction of the new Code F baggage belt at the Western end of the baggage hall.
176 • Bio Screening - increase of 174 sqm following the demolition of the Police cells and subsequent expansion of MPI into the area.
177
178 Domestic Terminal
179
180 No significant changes
181
182 3. Notional capacity of baggage units and busy hour throughput
183
184 In 2010, Airbiz was also engaged to estimate the notional capacity of the outbound baggage facilities and the inbound baggage reclaim units for both the
international and domestic terminals. Airbiz defined the notional capacity to be the sustainable practical capacity of the baggage system.
185
186 The notional capacity of the international outbound baggage facilities has been assessed by using a practical capacity of 17 bags per minute through each x-ray
unit.

The notional capacity of the domestic terminal outbound baggage system was assessed by ascribing a practical capacity of 1,000 bags per hour for each of the two units. One of the units is owned and maintained by Auckland Airport, and the other by Air New Zealand.

The number of international baggage reclaim belts increased to six in FY15 with the addition of the new Code F baggage belt 1 at the western end of the baggage hall in December 2014. The notional capacity of the international baggage reclaim facilities is now based on three of the reclaim units being occupied by code E or smaller aircraft and three reclaim units being occupied by a code F aircraft. The code categorisation of an aircraft relates to wing-span. Code A aircraft have the narrowest wing-span and code F aircraft have the widest. The calculation assumes that a typical code E or lower aircraft has 330 seats and a typical code F aircraft has 489 seats. A load factor of 80% is assumed for all aircraft. Code E or lower aircraft are assumed to occupy a reclaim unit for 40 minutes and a code F aircraft is assumed to occupy a reclaim unit for 45 minutes. This capacity is then scaled by a utilisation factor of 75% to account for the fact that not every aircraft arrives on schedule. After the utilisation factor is applied, the notional capacity measured in passengers per hour is 2,065. To convert this to a notional capacity in bags per hour, this needs to be multiplied by the average number of bags carried by each passenger. Multiplying the number of passengers per hour by Auckland Airport's calculated bags per passenger gives the notional capacity in bags per hour. Auckland Airport's calculation of bags per passenger is explained in more detail below. Note that at any single point in time the reclaim capacity can be higher if larger planes than assumed arrive during the hour.

Airbiz used a similar methodology to estimate the notional capacity of the baggage reclaim units in the domestic terminal. Airbiz' notional capacity calculation assumes that a mix of narrow body aircraft and smaller turbo props land in a typical busy hour. Airbiz assume that a narrow body aircraft requires 20 minutes per claim unit and a turboprop aircraft requires 6 minutes per claim unit. The assumed load factor for both aircraft is 80%. A utilisation factor of 75% is then applied. This gives a notional capacity in passengers per hour of 1,218. Airbiz advised that approximately 70% of domestic passengers travel with checked in baggage and carry an average of 1.1 bags (0.77 bags per passenger). Multiplying this by the notional capacity in passengers per hour gives a notional capacity in bags per hour.

The number of bags processed during the busy hour for both outbound and inbound passengers using the international and domestic terminals was calculated by multiplying the number of passengers in the busy hour by the estimated number of bags per passenger. The number of bags per passenger processed during the busy hour for passengers using the domestic terminal was calculated using 0.77 bags per passenger, consistent with Airbiz' advice used to determine notional capacity. The number of bags per passenger processed during the busy hour for passengers using the international terminal was calculated using figures provided by Auckland Airport's baggage operator, Glidepath. Because outbound bags are scanned, a record of the number of outbound bags processed during the year is available. Dividing the number of outbound bags by the number of outbound passengers (excluding transit and transfer passengers) gave an average of 0.99 bags per passenger.

Auckland Airport does not capture the number of inbound bags processed through the baggage reclaim facilities. Auckland Airport has therefore calculated the number of bags processed during the busy hour for inbound passengers using the international terminal by assuming that the number of inbound bags per passenger was the same as the number of outbound bags per passenger.

4. Passport control

The notional capacity during the passenger busy hour for outbound and inbound passport control has been calculated by considering the number of SmartGates, the number of emigration and immigration desks, the transaction time per SmartGate and the transaction time per emigration/immigration desk. The transaction time per passenger at an emigration counter was estimated to be 30 seconds and the transaction time per passenger at an immigration counter was estimated to be 45 seconds. The transaction time at emigration and immigration counters was adjusted by an efficiency factor of 80% to allow for considerations such as the time to walk from the queue to the counter. The transaction time for both inbound and outbound passengers at a SmartGate was estimated to be 30 seconds. This information was provided by Airbiz and is used in Auckland Airport planning. In 2012, Airbiz completed more detailed modelling of capacities as part of a project to investigate increasing the capacity of the emigration hall. This improved the accuracy of the estimates of processing times. The efficiency factor increased from 70% to 80% but the processing time at SmartGates increased from 15 seconds to 30 seconds. However, SmartGate processing times are no longer adjusted by an efficiency factor. The number of SmartGates increased from two to four, resulting in increased notional capacity and improved facilities for passengers.

It should be noted that the notional capacity will not be achievable in all circumstances. The SmartGate facilities can presently only be used by New Zealand, Australian, United States, United Kingdom and Canadian passport holders who are over 12 years of age. If an aircraft has relatively fewer passengers able to use the SmartGates, the practical capacity will be lower.

It is noted that the notional capacity of outbound passport control has decreased from 2,208 passengers to 1,632 passengers. This is due to Customs New Zealand's decision to reduce the number of physical customs desks from 18 to 12. These desks were removed as they were rarely staffed and the area was repurposed to make the passport control process more efficient through better space and queue management. This change has not impacted passenger throughput with 10.4% more passengers processed through passport control during the busy hour in FY15 compared to FY14.

5. Security screening

The notional capacity of security screening during the passenger busy hour for both the international and domestic terminals was based on Airbiz' estimate of each security unit's processing capacity. Airbiz estimated that each security screening unit can process 270 passengers per hour. The notional capacity was calculated by multiplying the number of units by 270.

The busy hour that is identified for inbound security screening is not necessarily the same busy hour for transit and transfer passengers. The number of transit and transfer passengers varies significantly for different air routes. During the identified busy hour for security screening, no passengers were estimated to have been processed through international transit and transfer screening.

Using the same logic to determine the specific transit busy hour gives a busy hour of 5am on the 17th of January 2015. At this time, 219 passengers went through transit and transfer screening. The percentage of notional capacity used at this busy hour is 41%.

6. Departure lounges

The number of reported seats in both the international and domestic terminals was based on a physical count in September 2015.

7. Bio-security screening and customs secondary inspection

The notional capacity of bio-security screening capacity during the passenger busy hour was estimated with reference to the detailed modelling work completed by Airbiz in 2012. This work was undertaken when investigating the changes that were subsequently made to the secondary line. The modelling was completed with much greater accuracy than previous capacity estimates. Generic assumptions were replaced with assumptions taking into account the unique constraints in the Auckland Airport secondary line. This work identified that the key pinch point for processing is at the risk assessment stage. The per hour capacity identified for risk assessment screening after the updated layout was implemented was 1,527 passengers per hour.

Note that gate lounge 4e is not included in the security screening, biosecurity screening or customs capacity calculations. This area was upgraded prior to the Rugby World Cup and contains four customs desks, a biosecurity screening facility and an x-ray unit. However, this area is not typically staffed by Customs or MPI officials and is only used occasionally if needed for VIPs, diplomatic purposes or special events.

officials and is only used occasionally if needed for VIP's, diplomatic purposes or special events.

8. Total terminal functional space

The total terminal functional area floor space for the domestic terminal is slightly less than the sum of the individual floor space areas. Because airside circulation space is required for both outbound and inbound passengers, there is an area that is "double counted" as it falls into the calculation of both of these categories of floor space. The area that has been double counted was subtracted from the total.

The number of working trolleys represents the number of trolleys that Auckland Airport's trolley provider, Smartecarte, had in use as at 30 June 2015.

Commentary must include an assessment of the accuracy of the passenger data used to prepare the utilisation indicators.

† *For functional components which are normally shared by passengers on international and domestic aircraft.*

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2015**

SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

ref *Version 2.0*

Survey organisation

Survey organisation used	ACI
If "Other", please specify	

Passenger satisfaction survey score
(average quarterly rating by service item)

Domestic terminal	*Quarter*	1	2	3	4	Annual
	for year ended	**30 Sep 14**	**31 Dec 14**	**31 Mar 15**	**30 Jun 15**	**average**
Ease of finding your way through an airport		4.1	4.0	4.3	4.2	4.1
Ease of making connections with other flights		3.6	3.8	4.2	4.0	3.9
Flight information display screens		4.0	4.0	4.1	4.2	4.1
Walking distance within and/or between terminals		3.8	4.0	4.2	4.0	4.0
Availability of baggage carts/trolleys		4.0	4.1	4.3	4.1	4.1
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.2	4.3	4.3	4.2
Availability of washrooms/toilets		3.9	4.1	4.2	4.1	4.1
Cleanliness of washrooms/toilets		3.8	3.9	4.1	4.1	4.0
Comfort of waiting/gate areas		3.6	3.6	4.0	3.8	3.7
Cleanliness of airport terminal		4.0	3.9	4.3	4.2	4.1
Ambience of the airport		3.7	3.7	4.1	3.9	3.8
Security inspection waiting time		4.2	4.1	4.3	4.2	4.2
Check-in waiting time		4.3	4.4	4.5	4.3	4.4
Feeling of being safe and secure		4.4	4.3	4.5	4.4	4.4
Average survey score		4.0	4.0	4.2	4.1	4.1

International terminal	*Quarter*	1	2	3	4	Annual
	for year ended	**30 Sep 14**	**31 Dec 14**	**31 Mar 15**	**30 Jun 15**	**average**
Ease of finding your way through an airport		4.2	4.0	4.2	4.0	4.1
Ease of making connections with other flights		4.0	4.0	4.2	4.2	4.1
Flight information display screens		4.0	3.9	4.1	4.1	4.0
Walking distance within and/or between terminals		3.9	3.8	4.2	3.9	3.9
Availability of baggage carts/trolleys		4.2	4.1	4.2	4.1	4.1
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.2	4.3	4.2	4.2
Availability of washrooms/toilets		4.2	4.1	4.2	4.2	4.1
Cleanliness of washrooms/toilets		4.1	3.9	4.0	4.0	4.0
Comfort of waiting/gate areas		3.9	3.8	4.0	3.9	3.9
Cleanliness of airport terminal		4.3	4.2	4.3	4.3	4.3
Ambience of the airport		4.1	4.0	4.1	4.0	4.0
Passport and visa inspection waiting time		4.3	4.2	4.4	4.3	4.3
Security inspection waiting time		4.2	4.1	4.3	4.2	4.2
Check-in waiting time		4.1	3.8	4.1	4.2	4.1
Feeling of being safe and secure		4.3	4.3	4.4	4.3	4.3
Average survey score		4.1	4.0	4.2	4.1	4.1

The margin of error requirement specified in clause 2.4(3)(c) of the determination applies only to the combined quarterly survey results for the disclosure year. Quarterly results may not conform to the margina of error requirement.

Commentary concerning report on passenger satisfaction indicators

Schedule 14: Passenger Satisfaction Indicators

1. ASQ Quarterly Surveys

Auckland Airport surveys its passengers every quarter. This survey covers key aspects of passenger facilities and customer service. ASQ provides a cost-efficient, robust means for Auckland Airport to achieve the following:

- Measure and track long-term trends in our own levels of passenger satisfaction. These trends are used for operational guidance on upgrades, terminal management, and to identify areas of passenger dissatisfaction.

- Benchmark ourselves against all/any of the 260+ participants. As the survey now covers a number of years it allows us to learn from the impact of infrastructure and service changes by our peer airports on the satisfaction of their passengers.

- Obtain robust, independent passenger satisfaction data to use in guidance of our strategic partners (e.g. airlines, Customs, MPI and AVSEC,) and service providers (e.g. cleaning contractor).

- Report on service standards in Commerce Act information disclosures.

The minimum sample size is 350 passenger surveys per quarter. The Airport Service Quality ('ASQ') sample plan has quotas by airline and by destination so that the total sample is representative of Auckland Airport's actual traffic mix. Interviews are undertaken with both domestic and international passengers. All interviews take place in the boarding gate area while passengers are waiting to board their flights. Each questionnaire is completed by one passenger only.

To ensure that the survey results are as accurate as possible, ASQ publishes field work guidelines on an annual basis. These guidelines outline the procedures to be followed when implementing the sample plan and conducting passenger interviews. A copy of the field work requirements can be found on Auckland Airport's website – http://www.aucklandairport.co.nz/Corporate/Regulatory-Disclosures.aspx.

Passenger responses to each question are gathered according to the following five point scale:

1 = poor
2 = fair
3 = good
4 = very good
5 = excellent

The quarterly score disclosed for each question is the weighted average of the responses. While the tables below state the scores for each quarter, Auckland Airport monitors responses using a four quarter rolling average, as the annual sample size will give a statistically significant result (by contrast the quarterly sample does not). Overall the surveys have a margin of error, therefore as general principle; year on year changes in the scores of less than 5% are deemed statistically insignificant.

International Terminal

Overall International Terminal satisfaction has remained with the range of 4.10- 4.35 since 2012 and 4.10-4.20 for the items of focus for regulatory reporting. In FY15, a number of capital and operational investments (in time and processes) were undertaken which have allowed the airport to broadly maintain consistent service levels, whilst experiencing 5.6% growth in international arrivals.

Key investments in customer satisfaction in FY15 in the international terminal included:

- The commissioning of an additional seventh baggage belt in the arrivals hall

- Deployment of a Collaborative Decision Making application toolset that provides real-time information for decision making to: Airways; airlines; ground handlers; Auckland Airport operations and apron tower staff

- Using the ASQ results in its Collaborative Operations Group (COGs) process to focus partner performance on customer satisfaction. This included Customs, MPI, AVSEC, BARNZ, airlines, and others. The COG has agreed that customer satisfaction is a key priority in all continuous improvement projects. COG has established:

    - A joint vision statement and commitment to improve operational efficiency and customer satisfaction

    - Agreed principles of collaboration for COG

    - Five joint performance indicators across all operational stakeholders

    - An agreed continuous improvement framework for joint projects

- The introduction of a new Baggage Hall coordination role. This person has the ability to change the allocation of baggage reclaim carousals real time on a tablet, from within the baggage hall. This has alleviated congestion in the baggage hall by optimising the use of all carousals at peak times.

- The use of Auckland Airport customer service staff to assist in identifying eligible passengers early in the arrivals process, for use of the Biosecurity green-lane (nothing to declare), thus improving overall processing and customer experience.

Auckland Airport is committed to continual monitoring of, and investment in, service quality to ensure our service standards are retained at high levels. The ASQ results are discussed regularly with the Leadership Team and Board. We benchmark our performance against panel of similar airports. The panel comprises 28 airports in Western countries, which are key destinations from Auckland and are subject to capital disciplines and of a similar size 10-25m passengers. International passenger satisfaction with Auckland Airport, is in the upper quartile - and well-above the average, against this panel.

Domestic Terminal

The airport targets providing good to very good satisfaction to its domestic customers – ie. scores in the order of 4.0. This is a challenging in an old building like the domestic terminal. However, the DTB Capacity Enhancement project, which was substantially complete in Q1 2015, has driven satisfactions scores to a three year high. The renovation has delivered significant benefits to the airside experience by creating:

- A new large open plan gate lounge area providing a much larger continuous floor area than before.

- The new gate configuration that offers extensive new seating for overflow, lots of natural light, and a large-scale view to the airfield and harbour.

- The provision of two new 'middle-NZ' cafes airside with quality food and beverages.

- A very large increase in bathroom provision and quality in the departure gate area. This has been a very significant upgrade to previous facilities.

- Much simpler and more intuitive way-finding between check-in to all departure gates – due to a single route through Security and into the departure piers.

- The provision of a single spacious security checkpoint area that leads directly to both ends of the airside lounge.

In addition, renovations to the departure gates for regional flights have been completed during the past year - resulting in a much improved provision of seating and greater ambience in this area.

Finally, the flight information display screens have also experienced an upgrade this year – with larger and more numerous screens providing better visibility for passengers throughout the terminal.

Consistent with the specific investments, ASQ scores for domestic ambience, terminal cleanliness, gate comfort, washroom availability, washroom cleanliness and way-finding reached a three year high and scores for Flight Information screens and Feeling of 'being safe' also climbed in FY15. Nevertheless the airport is conscious that there was a material strengthening in domestic competition in FY15 which is expected to intensify. Therefore it may be challenging to reach the targeted service levels with incremental improvements to a very old asset. The airport will continue to evaluate opportunities to improve customers satisfaction within the existing domestic terminal and evaluate the options for domestic integration with the international terminal.

All Passengers

In addition, there were three initiatives targeted at enabling customer service improvements which broadly spanned both terminals involving deployment of:

- New roving customer service agents throughout the terminals. Their purpose is to meet passengers' unexpressed needs. For example, assist a single parent travelling with three children or elderly passengers requiring assistance. This program has received overwhelmingly positive feedback. The roving agents also provide an escorted paid concierge service through processing.

- A new Airport Operating System (outlined in detail in Schedule 15). This included new asset allocation tools for aircraft stands, baggage carousals (both terminals) and check-in (for international only).

- A new passenger flow management tool (outlined in detail in Schedule 15). This tracks dwell and process time from curb to gate for both real-time and analytical capability. This tool will be shared across all of the COG partners to improve their real-time operational response and planning.

Commentary must include an assessment of the accuracy of the passenger data used to prepare the utilisation indicators and the internet location of fieldwork documentation .

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref | *Version 2.0*

Disclosure of the operational improvement process

Introduction

Over the course of the last financial year, Auckland Airport has placed a significant focus on the development/adoption and implementation of a set of operational improvements pertaining to the aerodrome and broader airport campus infrastructure. Many of these are evolutionary developments building upon existing practice/infrastructure – while others have been more at the transformational end and build upon new infrastructure and practice.

This schedule overviews the operational improvements that, in our judgement, are most significant. The overview is organised in a sequence that commences with airside aerodrome centric improvements and flows to landside passenger centric infrastructure and processes.

Airside Improvements

Achieving efficiencies for the airport and the network

Implementation of Airport Collaborative Decision Making (A-CDM)

A-CDM is a truly transformational development. The development of this tool has been led in Europe, but Auckland Airport is the first airport in Australasia to implement A-CDM. Consequently, we were invited to present and share our lessons in Brussels in Q1 of FY15.

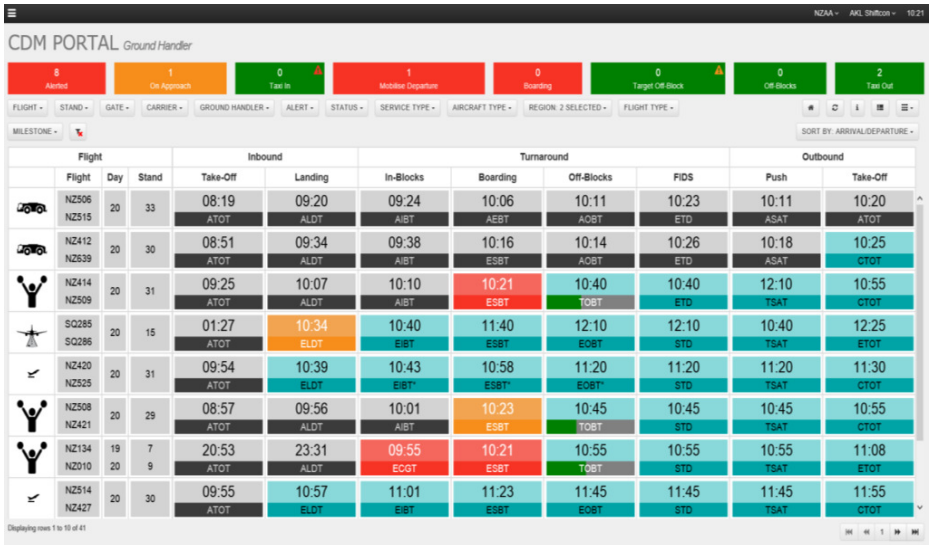
A-CDM is a powerful decision making tool (which utilises the Gentrack Airport 20/20 application), that promotes the sharing of real-time predictive data from multiple sources to:

1. Optimise a flight's end-to-end process to make the best use of resources and infrastructure;
2. Optimise utilisation of the apron, taxiways and runway resulting in reduced congestion and less holding time for aircraft. This improvement to Auckland Airport's apron asset utilisation also provides efficiencies to the network, for example by reducing fuel burn thereby creating cost-savings to the airlines.
3. Achieve better recovery from airport disruptions;
4. Provide on-block and off-block projections for: ground handlers; airlines and apron management staff; and
5. Enable automated announcements/messaging triggered by actual flight information

The provision of a single source of 'operational truth' across the many different organisational entities that come together to facilitate aircraft/passenger movements is transformational in terms of the situational awareness all providers have and their consequential ability to respond quickly. For example, historically, the apron tower has had little visibility around any off-schedule departures from the international apron. When an aircraft was off schedule it was difficult for the Apron Team to make an informed decision around where to push/pull that aircraft in order to create the lowest amount of congestion. With A-CDM we are asking that the Ground Handler updates their departure time (TOBT) to a parameter that has been set at +/- 5 minutes regardless of whether the aircraft is on time or not. What this has meant is that the apron tower is now informed as to every flights' departure time with more accuracy. This information enables better decisions to be made in regards to pushing aircraft back and reducing any potential congestion. Early visibility of push back is also available to Airways which supports better taxiway management.

A-CDM was implemented during June 2015. Early signs are that A-CDM will support material improvements on OTP and less congestion on apron. Quantitative information will be available over the prior period from FY15.

The graphic below illustrates the extent of detailed real time performance information made available to all ground handlers, airlines, Airways and the airport:



Increase in Multiple Access Ramp Systems (MARS) Stands
Two existing code E stands (stands 78 & 79) were re-configured to create two code F stands which have MARS capability (that is they provide a multiple apron ramp system). The new configuration now accommodates either four code C aircraft and two code E aircraft, or one code E and two code F aircraft. Increasing MARS capability makes the gates more flexible and efficient to service more planes and get them back into the air in as little time as possible. Each of these stands can either cater for one large aircraft or two smaller code C at any point in time.

Additional Low Visibility (LVO) Hold Bars added
The environment within which Auckland Airport resides means that the airport experiences significant fog disruption 10-15 days per year on average. Auckland fog delays are highly disruptive for aviation nationally, hence the focus on maximising operational performance in fog conditions.

In keeping with better/best operational practice globally, three new hold/stop bars for Low Visibility Operations (LVO) were added to the existing eight to create better use of the airfield during low visibility. The three stop bars were added to taxiway Lima, creating a circular route for aircraft traffic on the western side of the International apron in fog and essentially creating separate entry and exit points for aircrafts. Prior to this, aircrafts arrived and departed on the western side of the International apron at Spot 1. These three stop bars have also created extra holding space for aircrafts, which can now operate on the airfield under LVO conditions at any one time.

Enhancing safety and security

Airport Emergency Services (AES)
Increasing Auckland's response capability from meeting Category 8 to Category 10 has been necessary to provide for the necessary emergency response capability for the higher frequency of A380 flights into Auckland Airport. This places Auckland Airport's AES response capability on a par with major international airports such as Sydney, Singapore and Los Angeles.

This transformational improvement in the AES marine response capability was implemented in FY15 with the commissioning of two new vessels and a new Griffon Hovercraft able to respond to marine emergency. In addition, the AES crew numbers were increased by a total of 8 staff (2 per shift) to meet Category 10 response and rescue requirements.

Security of the Aerodrome Perimeter
Security systems and threats continue to develop. In FY15 the security and safety of the aerodrome perimeter was significantly enhanced with the deployment of a CEM access control system across all doors and gates around the perimeter. CEM is a world leading provider of advanced access technology. Auckland Airport has invested in a platform which will be capable of being further integrated with other technologies and augmented over time.

Major taxiway pavement strengthening programme
The aviation trend toward up-gauging of aircraft on many routes to Code F and Code E (for example Airbus A380s and Boeing 777s) is necessitating the progressive strengthening of much of the aerodrome apron and taxiway system. This is based on condition assessments carried out annually to American standards for pavements.

Pavement strengthening was completed on Taxiway Juliet, connecting Taxiway Kilo with Taxiway Alpha by replacing slabs to the latest design and involved the replacement of 133 individual pavement slabs.

Auckland Airport is investigating customising asphalt on taxiways and the apron to improve reliability. By conducting condition assessments of the asphalt and assessing the use of the area, Auckland Airport can ensure that the asphalt chosen is fit for purpose. Using customized asphalt on areas servicing heavier aircraft optimises whole of life costs by increasing the life of the asphalt and reducing the need for repairs. This also improves the availability of the asset by reducing maintenance requirements.

Airside Safety, Compliance and Standards Health Manager role created
A new role was created in April 2015, dedicated to increasing the focus of various airfield stakeholders on the criticality of airside safety. Initiatives delivered in FY15 have included increasing stakeholder education on:
(i) how to keep airside areas safe - airside driving rules review, airside infringement notice practices, airside awareness driving training delivered with the airport police, safety inductions for cleaning baggage halls; removal of poor quality ground support equipment); and
(ii) increasing scrutiny in the form of random audits – (passenger supervision on regional apron, regional taxiway safety procedures, airside driving monitoring – "Driving Blitzes").

Passenger Centric Improvements

Achieving efficiencies for the airport and the network

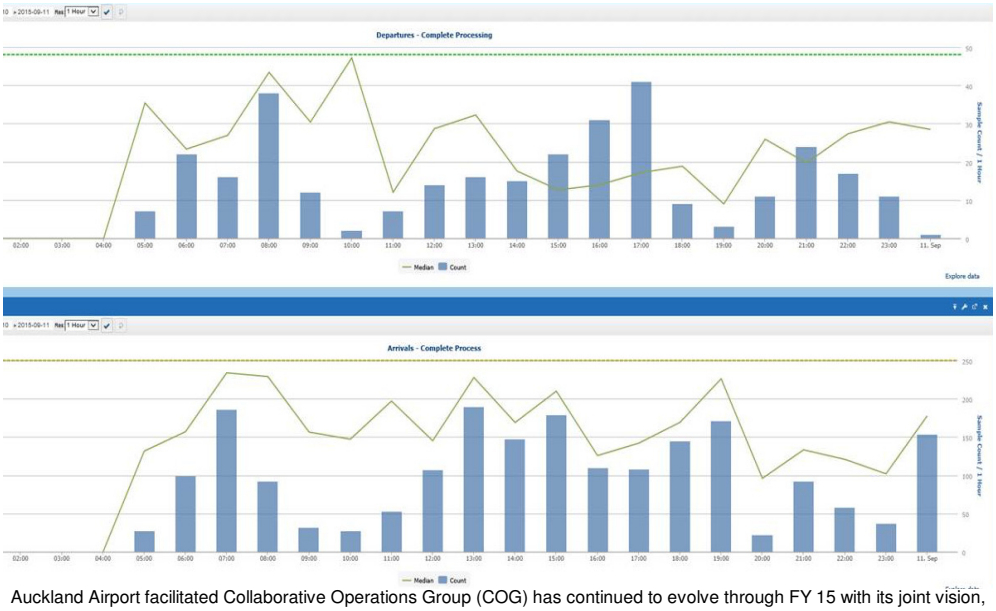
Airport Operating System replacement (AOS)
The airport has undertaken a significant technology upgrade of its core technology infrastructure during FY15. This included the replacement of the airport operating database (AODB), which is the database that receives and exchanges all scheduling information. As part of this replacement, the airport also introduced a new Resource Management System (RMS) that allocates aircraft stands, baggage carrousels and check-in counters. This new tool has far greater functionality, including the ability to make dynamic changes to these resources in real-time from mobile devices, in order to meet the changing operational demand.

In addition, the airport facilitated the sharing of real-time airline data through the AOS in the form of web based 'day of operations' dashboards were developed which are intended to be shared across all COG partners including border agencies. The purpose being to provide all stakeholders with common data on arrival and departure times and expected passenger volumes which can inform resourcing planning.

Real time tracking of passenger volume flows
One of the biggest challenges for the core departure and arrival processes that an airport facilitates is the matching of capacity

One of the biggest challenges for the core departure and arrival processes that an airport facilitates is the matching of capacity - from check-in facilities through to aviation security screening to changing levels of passenger demand. To improve the situational awareness of these flows, highly innovative BlipTrack technology has been installed, with progressive implementation of the benefits expected in FY16.

BlipTrack provides passenger processing times in real-time. For example, real-time information on the time it takes to come through the arrivals process allow airport operations to determine the passenger experience to the minute.
The graphs below illustrate the ability to monitor core process times in real-time relative to defined service levels and respond as issues arise.



Auckland Airport facilitated Collaborative Operations Group (COG) has continued to evolve through FY 15 with its joint vision, agreed collaborative principles and joint performance measures. Key COG partners include: Auckland Airport, Board of Airline Representatives NZ (BARNZ), NZ Customs Service, Aviation Security (AVSEC), Ministry for Primary Industries (MPI), Menzies Aviation, Air New Zealand, and Airways NZ.

During FY15, COG has developed a continuous improvement (CI) framework that is bottom up driven. This includes a new daily operational COG report and criteria for determining when an operational issue should become a formal CI project. These currently include an arrivals project, departures project, oversized and fragile, apron optimisation and A-CDM. In order to create a step change in the momentum of continuous improvement a special project team within Auckland Airport was established in the third quarter of 2015, to drive some of these projects. This is called Project Capricorn. Various process improvement methodologies and tools have been developed to use in these projects, which are still ongoing.

Increasing service levels & capacity

Expansion of Arrivals Hall and Baggage Reclaim facilities
The demands of increasing arrival passenger volumes combined with the larger gauge aircraft concentrating this demand, have been met with the addition of a 7th baggage Code F (A380) capable reclaim unit within a modernised arrivals hall.
To meet the additional needs of MPI and Customs an enlarged space has been created to support border agency operation.

Roving Customer Service Agents (CSAs)
During FY15, the airport successfully trialled the concept of roving CSAs. Their primary purpose is to meet passengers unexpressed needs. That is to proactively work the terminal and seek out passengers that might appear lost or needing help. Using data, the CSAs are deployed strategically to offer the right service to the right customer at the right time. This could be a mum and three children needing help with luggage or a passenger needing language translation. There has been overwhelmingly positive support and feedback to this program with a further extension approved till April 2016. To meet the challenge of the cultural diversity of passengers that are being facilitated, a training programme with the NZ School of Tourism has been set up for the CSAs and marshals on the forecourt. This is a shift of traditional static customer service help to more mobile and targeted customer service throughout the terminal. The training programme covers:
- Auckland International Airport Vision and Values
- First Impressions and a uniquely NZ Welcome
- Understanding our Asian Visitors:
    - Customs, Culture, Values, Lifestyle, Generational Differences
    - Overcoming the language barrier
    - Visitor service expectations – the invisible & the explicit
- Understanding the VIP visitor
- Working with Individuals, small groups and large groups
- The communication process
- Potential Barriers
- Problem solving

Airport Arrivals Concierge – New product / services innovations
With an increasing proportion of passengers requiring some form of assistance on arrival, the welcome mat has been rolled out with an innovative new bookable Concierge product.

The product provides three tiers of assistance service – Standard, Premium and Commercial in order to meet the diverse needs of passengers:
• The Standard package caters to the needs of lone parents with children, non-English speakers, elderly or nervous passengers just requiring support and assistance with baggage or comprehension of the entry process into New Zealand
• The Premium package has been developed to meet the needs of groups of business or leisure travellers seeking a priority service and personalised experience.
• The Commercial service is geared towards Corporates and larger traveller groups

Multiple Flight Information Display System (FIDS) Improvements
FIDS systems are at the core of passenger facilitation for any airport. Over the course of the year, multiple FIDS based operational improvements have been implemented including:
• A large format LCD screen over the main international departures portal which displays a combination of advertising and flight information and can be read at distance reducing the potential for congestion immediately outside the processor.
• Departures FIDS layout optimisation – the new AOS has enabled the optimisation of font heights to improve legibility. This follows on from earlier layout improvements made in 2014 when multiple languages were launched on FIDS.
• A new digital totem which is part of a network of screens that can be scheduled to deliver bespoke content and is frequently used for welcoming and directing corporate groups as part of the concierge service offered.

The process put in place by the Airport for it to meet regularly with airlines to improve the reliability and passenger satisfaction performance consistent with that reflected in the indicators.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref *Version 2.0*

16a: Aircraft statistics

Disclosures are categorised by core aircraft types such as Boeing 737-400 or Airbus A320. Sub variants within these types need not be disclosed.

(i) International air passenger services—total number and MCTOW of landings by aircraft type during disclosure year

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Boeing - B777-200	2,836	826,567
Airbus -380-800	1,250	711,460
Boeing - B777-300ER	2,008	703,786
Boeing 737-800	5,988	472,724
Airbus - A320	4,815	367,573
Airbus - A340-300	1,206	332,351
Boeing - B767-300ER	1,555	290,598
Boeing 787-9 Dreamliner	703	173,639
Boeing 787-8 Dreamliner	548	124,944
Airbus - A330-200	494	116,311
Boeing B777-300	197	69,252
Boeing B747-400	168	65,967
Airbus - A330-300	188	43,425
Boeing - B737-200	225	15,758
Boeing - B757-200	8	871
Antonov - AN-124 Ruslan	1	392
Bombardier - BD-700 Global Express	7	304
Airbus - A-319	3	215
Airbus - A-310	1	157
Bombardier - Learjet 45	4	135
Grumman - G-4	2	126
Boeing B737-300	5	93
Fokker - F50	1	65
Boeing B737-400	3	63
Canadair - CL-600 Challenger 600	15	137
Gulfstream Aerospace - Gulfstream V	1	41
Cessna - 680 Citation Sovereign	3	41
Bombardier - BD-700 Global 5000	1	40
Embraer - ERJ-135	2	37
Cessna - 750 Citation X	2	33
Israel Aircraft Industries - 1124 Westwind	3	32
Dassault - Falcon 7X	1	32
Bombardier - Learjet 35	3	25
Convair - CV-580 Convair	1	24
Dassault - Falcon 20	1	13
Cessna - CJ-1 Starlet	2	11
Cessna - 650 Citation 3/6/7	1	10
Cessna - 25B Citation CJ3	1	10
Cessna - 560X Citation Excel	1	9
Piper - PA-601 Aerostar	1	5
Piper - PA-42-1000 Cheyenee 400	1	5
Pilatus - PC-12 Eagle	1	5
Cessna - 208 Grand Caravan	1	4
Cessna - 510 Citation Mustang	1	4
Total	22,259	4,317,294

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref *Version 2.0*

(ii) Domestic air passenger services—the total number and MCTOW of landings of flights by aircraft type during disclosure year

(1). Domestic air passenger services—aircraft 30 tonnes MCTOW or more

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Airbus Industrie - A-320	15,995	1,149,720
Boeing - B737-300	4,025	230,120
Boeing - B767-300ER	41	7,662
Boeing - B777-200	2	595
Antonov - AN-124 Ruslan	1	392
Boeing - B777-300ER	1	352
Airbus Industrie - A-340-300	1	277
Boeing - B787-9 Dreamliner	1	245
Boeing - B737-800	3	243
Grumman - G-4	5	203
Gulfstream Aerospace - Gulfstream V	3	136
Bombardier - BD-700 Global Express	3	129
Boeing - B757-200	1	109
Total	20,082	1,390,181

(2). Domestic air passenger services—aircraft 3 tonnes or more but less than 30 tonnes MCTOW

Aircraft type	Total number of landings	Total MCTOW (tonnes)
De Havilland Canada - Dash 8 Q300	10,923	213,042
Aerospatiale/Alenia - ATR-72-500	7,232	164,915
Beechcraft - B-1900	6,938	53,874
Convair - CV-580 Convair	927	24,140
Fokker - F-27 Friendship	262	5,345
Fairchild - SW-4B	449	3,334
British Aerospace - Jetstream 32	97	713
Cessna - 510 Citation Mustang	105	707
Fokker - 50	37	688
Beechcraft - 90 King Air	100	473
Beechcraft - 200 Super King Air	76	432
Britten-Norman - BN-2A Mk3 Trislander	51	231
Aerospatiale/Alenia - ATR-72-600	4	92
Cessna - 208 Grand Caravan	22	87
Cessna - 441 Conquest 2	11	49
British Aerospace - Jetstream 32A	6	44
IAI - 1124 Westwind	4	43
Cessna - 206 Stationair	9	30
Canadair - CL-600 Challenger 600	1	20
Beechcraft - 300 Super King Air	2	14
Fairchild - SW-4A	2	13
Piper - PA-42-1000 Cheyenee 400	2	10
Beechcraft - 400 Beechjet	1	7
Corby - CJ-1 Starlet	1	6
Other - Other	1	5
Pilatus - PC-12 Eagle	1	5
Cessna - Caravan 2	1	4
Total	27,265	468,322

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 2)

ref *Version 2.0*

(iii) The total number and MCTOW of landings of aircraft not included in (i) and (ii) above during disclosure year

	Total number of landings	Total MCTOW (tonnes)
Air passenger service aircraft less than 3 tonnes MCTOW	3,246	9,418
Freight aircraft	891	214,546
Military and diplomatic aircraft	26	2,370
Other aircraft (including General Aviation)	1,481	30,570

(iv) The total number and MCTOW of landings during the disclosure year

	Total number of landings	Total MCTOW (tonnes)
Total	75,250	6,432,702

16b: Terminal access

Number of domestic jet and international air passenger service aircraft movements* during disclosure year categorised by the main form of passenger access to and from terminal

	Contact stand–airbridge	Contact stand–walking	Remote stand—bus	Total
International air passenger service movements	45,635	–	1,070	46,705
Domestic jet air passenger service movements	40,074	932	11	41,017

** NB. The terminal access disclosure figures do not include non-jet aircraft domestic air passenger service flights.*

16c: Passenger statistics

	Domestic	International	Total
The total number of passengers during disclosure year			
Inbound passengers†	3,641,517	4,324,627	7,966,144
Outbound passengers†	3,557,078	4,293,564	7,850,642
Total (gross figure)	7,198,595	8,618,191	15,816,786
less estimated number of transfer and transit passengers		493,756	493,756
Total (net figure)			15,323,030

† Inbound and outbound passenger numbers include the number of transit and transfer passengers on the flight. The number of transit and transfer passengers can be subtracted from the total to estimate numbers that pass through the passenger terminal.

16d: Airline statistics

Name of each commercial carrier providing a regular air transport passenger service through the airport during disclosure year

Domestic	International
Air New Zealand	Air Caledonie International
Jetstar Airways	Air New Zealand
Air Nelson	Fiji Airways (Air Pacific)
Eagle Airways	Air Tahiti Nui
Mount Cook Airlines	Air Vanuatu
Great Barrier Air	Cathay Pacific Airways
Air Chathams	China Airlines
	China Southern Airlines
	Emirates Airlines
	Hawaiian Airlines
	Jetstar Airways
	Korean Air Lines
	Linea Aerea Nacional de Chile
	Malaysian Airline System
	Qantas Airways
	Singapore Airlines
	Thai Airways International
	Virgin Australia Airlines
	China Eastern Airlines

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2015**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)

ref *Version 2.0*

183 **Airline statistics (cont)**

184	Domestic	International
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195 **16e: Human Resource Statistics**

196		Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
197	Number of full-time equivalent employees	195	98	5	298
198	Human resource costs ($000)				37,614

199 **Commentary concerning the report on associated statistics**

Passenger Movement Statistics

	2015	2014	% change
Auckland Airport passenger movements			
International arrivals	4,077,749	3,847,132	6.0
International departures	4,046,686	3,840,704	5.4
International passengers excluding transits	**8,124,435**	**7,687,836**	**5.7**
Transit passengers	493,756	462,560	6.7
Total international passengers	**8,618,191**	**8,150,396**	**5.7**
Domestic passengers	7,198,595	6,911,689	4.2
Total passenger movements	**15,816,786**	**15,062,085**	**5.0**

International passenger numbers (excluding transits) increased by 5.7% in the 12 months to 30 June 2015. This was a very strong outcome across a broad range of routes and markets.

In the 2015 financial year, our work to grow travel markets with airlines and other travel partners continued the strong performance achieved in 2014. Capacity increases were announced across a range of markets, including both the high-growth Asian and South American regions, as well as traditional markets, such as North America and the Pacific Islands.

China continued to shine, with announcements from China Southern Airlines, China Eastern Airlines and Air New Zealand all contributing to an impressive international capacity increase of 37.9%. This was achieved despite a slow first quarter of the financial year, which also saw our passenger mix change – in the 12 months to February 2015, we had a 60% increase in Chinese free and independent holiday travellers compared with the previous comparable period, while group visitors were up by 8%.

Markets representing 94.9% of Auckland Airport's international arrivals delivered positive growth for the year. Asian source markets such as China, Japan and Korea have excelled, with growth ranging between 10% and 29%.

Further development of our understanding of the drivers of passenger behaviour across interconnected networks has refined our thinking on route development, in particular how best to grow passenger numbers from markets without direct access. Throughout the year, we have worked closely with Tourism New Zealand, providing input on route and regional development for the Indian market. Results from this market have been very positive, with 33% growth for the financial year. Also, indirect traffic flows have benefited our visitor arrivals from the United States. Increased United States carrier capacity into Australia and additional services between Auckland and North America, such as Air New Zealand's additional services to Hawaii and seasonal services to Los Angeles and Vancouver, have helped drive up United States passenger numbers by 10.6%. This is the second-largest increase in absolute terms from offshore residents after Chinese visitors. We have also continued to see further recovery in our traditional markets, with France and Germany growing 9.1% and 5.1% respectively.

Domestic passenger numbers also grew strongly in the 12 months to June 2015, up by 4.2%. A number of recent announcements by Air New Zealand and Jetstar indicate increasing competition for domestic passengers flying main trunk and regional routes.

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Markets representing 94.9% of Auckland Airport's international arrivals delivered positive growth for the year. Asian source markets such as China, Japan and Korea have excelled, with growth ranging between 10% and 29%.

The table below shows the top 20 volumes of arrivals by country of last permanent residence in the 2015 financial year:

Country of last permanent residence	2015 Auckland Airport arrivals	2014 Auckland Airport arrivals	% change	% of 2015 arrivals	% of 2014 arrivals
New Zealand	1,870,840	1,789,076	4.6	46.0	46.7
Australia	776,350	759,093	2.3	19.1	19.8
China, People's Republic of	292,435	226,994	28.8	7.2	5.9
United States of America	186,257	168,437	10.6	4.6	4.4
United Kingdom	161,545	160,669	0.5	4.0	4.2
Japan	72,298	61,975	16.7	1.8	1.6
Germany	61,321	58,371	5.1	1.5	1.5
Korea, Republic of	47,339	41,490	14.1	1.2	1.1
India	45,755	34,414	33.0	1.1	0.9
Canada	44,700	43,013	3.9	1.1	1.1
Hong Kong	29,631	25,514	16.1	0.7	0.7
Singapore	28,859	27,865	3.6	0.7	0.7
France	28,038	25,709	9.1	0.7	0.7
Fiji	24,871	24,334	2.2	0.6	0.6
Malaysia	23,417	22,919	2.2	0.6	0.6
Taiwan	22,098	18,554	19.1	0.6	0.5
Samoa	21,477	18,906	13.6	0.5	0.5
French Polynesia	17,259	15,301	12.8	0.4	0.4
Netherlands	17,019	17,054	(0.2)	0.4	0.5
Other	298,855	292,457	2.2	7.3	7.6
Total Arrivals	**4,070,364**	**3,832,145**	**6.2**	**100.00**	**100.00**

SOURCE: STATISTICS NEW ZEALAND

Aircraft Movement Statistics

	2015	2014	% change
Aircraft movements			
International aircraft movements	46,692	45,809	1.9
Domestic aircraft movements	104,264	107,454	(3.0)
Total aircraft movements	**150,956**	**153,263**	**(1.5)**
MCTOW (tonnes)			
International MCTOW	4,556,051	4,339,266	5.0
Domestic MCTOW	1,890,764	1,879,199	0.6
Total MCTOW	**6,446,815**	**6,218,465**	**3.7**

Total aircraft movements were 150,956, a decrease of 1.5% from the 2014 financial year, while MCTOW (maximum certificated take-off weight) increased to 6,446,815, up by 3.7%. While MCTOW has continued to grow this financial year, the number of aircraft movements has decreased due to airlines using larger aircraft, predominantly on domestic routes, in order to increase capacity rather than offer additional flight frequency. This continues the upgauging trend seen over several years. The use of larger aircraft extends the capacity of the existing runway, enabling greater growth in passenger numbers and MCTOW. For example, the announced capacity increases in regional services by Jetstar and Air New Zealand has been accompanied by a 2.7% decrease in runway movements due to aircraft upgauging over the last two financial years. This helps to drive greater productivity from our existing runway.

Human Resource Statistics

The total full time equivalent employees of the regulated aeronautical business was 298 for the year ended 30 June 2015 which is 21 more than the year ended 30 June 2014 total which was 277. The increase in actual staff numbers is primarily due to headcount growth in the Airport Emergency Services (+8) to become category 10 compliant per Part 139 of the Civil Aviation Rules, increased passenger facing terminal staff (+4) and increased Apron Tower personnel (+4). The human resource costs include all employee related costs including wages and salaries, superannuation, Kiwisaver contributions, ACC levies, safety equipment, health and safety programmes and training and travel costs associated with employee development.

Regulated Airport	Auckland International Airport Limited
For Year Ended	30 June 2015

SCHEDULE 17: REPORT ON PRICING STATISTICS

ref *Version 2.0*

17a: Components of Pricing Statistics

	($000)
Net operating charges from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	4,505
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	21,120
Net operating charges from airfield activities relating to international flights	68,751
Net operating charges from specified passenger terminal activities relating to domestic passengers	15,613
Net operating charges from specified passenger terminal activities relating to international passengers	136,847

	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	1,775,314
Number of domestic passengers on flights of 30 tonnes MCTOW or more	5,411,944
Number of international passengers	**8,618,191**

	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	475,241
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,392,993
Total MCTOW of international flights	4,317,294

17b: Pricing Statistics

	Average charge ($ per passenger)	Average charge ($ per tonne MCTOW)
Average charge from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	2.54	9.48
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	3.90	15.16
Average charge from airfield activities relating to international flights	7.98	15.92

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from specified passenger terminal activities	2.17	15.88

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from airfield activities and specified passenger terminal activities	5.74	23.86

Commentary on Pricing Statistics

The current aeronautical charges at Auckland Airport came into effect on 1 July 2012. The new pricing schedule followed a comprehensive consultation process and featured a first year reduction in international charges and an increase in domestic charges, largely to fund much needed capacity relief at the domestic terminal. The schedule of standard charges are available on our website (www.aucklandairport.co.nz).

The standard aircraft and terminal charges were priced to increase by around 2% annually, broadly in line with the expected rate of inflation. All airport charges are collected from airlines and form part of their cost of operations (ie there are no charges directly payable by passengers). Average charges per passenger can vary due to the mix of passengers travelling and the type of aircraft flown.

International

Average airfield activity charges per international passenger have increased from $7.83 in the year ended 30 June 2014 to $7.98 for the year ended 30 June 2015.

Average passenger terminal charges per international passenger have increased from $15.66 in the year ended 30 June 2014 to $15.88 for the year ended 30 June 2015. Period to date passenger terminal charges increased from FY2013 to FY2014 due to the increase in passenger service charge for 2-11 years old (from 50% in the year ended 30 June 2013 to 100% charge for the year ended 30 June 2014).

Average charges from both airfield and passenger terminal activities per international passenger have increased from $23.50 in the year ended 30 June 2014 to $23.86 in the year ended 30 June 2015. This equates to a 1.5% increase, or 1.1% when adjusted for CPI.

Domestic

The average charges from airfield activities for domestic passengers has decreased from $3.59 in the year ended 30 June 2014 to $3.57 in the year ended 30 June 2015.

The average charge from specified passenger terminal activities for domestic have increased from $2.13 in the year ended 30 June 2014 to $2.17 for the year ended 30 June 2015.

The average domestic charge per passenger relating to both airfield and passenger terminal activities increased from $5.72 in the year ended 30 June 2014 to $5.74 in the year ended 30 June 2015. This equates to a 0.4% increase, or 0.1% decrease when adjusted for CPI.

Auckland Airport

SCHEDULE 20

CERTIFICATION FOR DISCLOSED INFORMATION

Clause 2.7(1)

We, Sir Henry van der Heyden and James Miller, being directors of Auckland International Airport Limited certify that, having made all reasonable enquiry, to the best of our knowledge the following attached audited information of Auckland International Airport Limited, prepared for the purposes of clauses 2.3(1) and 2.4(1) of the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010 complies with that determination.

Signed on behalf of the board by:

Sir Henry van der Heyden
Director, Chair of the Board

James Miller
Director, Chair of the Audit and Financial Risk Committee

18 November 2015

Deloitte.

INDEPENDENT ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF

AUCKLAND INTERNATIONAL AIRPORT LIMITED

Report on the Specified Airport Services Information Disclosure

We have audited the attached Specified Airport Services Information Disclosure Schedules comprised of Schedules 1 through to 17 of Auckland International Airport Limited for the year ended 30 June 2015 (the Schedules). This information is stated in accordance with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010 (Determination).

Responsibilities of the Board of Directors for the Disclosure Report

The Board of Directors is responsible for the preparation and certification of the Schedules for the year ended 30 June 2015 in accordance with the Determination, and for such internal control as the Board of Directors determine is necessary to enable the preparation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Schedules in accordance with clause 2.6 of the Determination based on our audit.

In relation to the historical financial information, we conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) with the objective of providing reasonable assurance that the disclosures of the historical financial information set out in Schedules 1 through to 10 (the Historical Financial Schedules) for the year ended 30 June 2015 have been prepared, in all material respects, in accordance with the Determination. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Historical Financial Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Historical Financial Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the Historical Financial Schedules.

In relation to the historical non-financial information, we conducted our audit in accordance with the Standard on Assurance Engagements 3100: *Compliance Engagements* (SAE 3100) with the objective of providing reasonable assurance that the disclosures of the historical non-financial information set out in Schedules 11 through to 17 (the Historical Non-Financial Schedules) for the year ended 30 June 2015 have been prepared in accordance with the requirements of the Determination, including guidance issued pursuant to the Determination, and the information is based on the records provided by Auckland International Airport Limited.

Our procedures included:

- Considering the methodologies used in preparing the historical non-financial information included in Schedules 11 through to 17 and confirming that they are in accordance with the guidance issued pursuant to the Determination; and
- Identifying key inputs to the information in Schedules 11 through to 17 and reconciling or agreeing them to source documents and systems.

In relation to the forecast financial information our procedures included:

- Agreeing the Forecast for Current Disclosure Year column in Schedule 6 to the Pricing Period starting Year+2 column in the price setting event disclosure published on 2 August 2012 (Schedule 18);
- Agreeing the Forecast for Period to Date column in Schedule 6 as the summation of the forecast pricing periods in the price setting event disclosure published on 2 August 2012 (Schedule 18);
- Agreeing the Effect of Changes in Asset Allocators CY+1 column in Schedule 9 to the forecast net book value as at 30 June 2016 provided by management; and
- Agreeing the Effect of Changes in Cost Allocators CY+1 column in Schedule 10 to the budget for the fiscal year 30 June 2016 provided by management, which had been approved on 2 August 2012.

Actual results are likely to be different from the forecast financial information since anticipated events frequently do not occur as expected and the variation could be material. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Inherent limitations

Because of the inherent limitations of the test nature of evidence gathering procedures and limitations associated with any internal control system it is possible that fraud, error or non-compliance may occur and not be detected.

As permitted by Clause 2.6(3) of the Determination we have relied on records that have been sourced from a third party in respect of certain non-financial information. For these items, our procedures were limited to confirming that the information in Schedules 11 to 17 agreed to the third party records provided to us.

Our audit provides assurance that the forecast information in Schedule 6, 9 and 10 was the forecast information prepared by the Company and required by the Determination to be included in that disclosure. However, to avoid doubt, it does not provide assurance that forecast information was accurate or reasonable at the time it was prepared, or that it subsequently was (or will be) proved to be accurate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than in our capacity as auditor, our firm carries out other assignments for Auckland International Airport Limited in the area of AGM vote scrutineer assistance. In addition to this, partners and employees of our firm deal with Auckland International Airport Limited on normal terms within the ordinary course of trading activities of the business of Auckland International Airport Limited. These services have not impaired our independence as Auditor of Auckland International Airport Limited. The firm has no other relationship with, or interest in, Auckland International Airport Limited.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements (Amended)* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

We have obtained all the information and explanations we have required.

In our opinion;

- Subject to Clause 2.6(3) proper records have been kept by Auckland International Airport Limited to enable the complete and accurate compilation of required information, as far as appears from our examination of those records;
- The disclosure information in Schedules 1 to 17 for the year ended 30 June 2015 complies, in all material respects, with the Determination;
- The historical financial information included in Schedules 1 through to 10 has been prepared in all material respects in accordance with the Determination;
- Subject to clause 2.6(3), the historical non-financial information included in Schedules 11 through to 17 complies in all material respects with the requirements of the Determination, including guidance issued pursuant to the Determination, and the information is based on the records provided by Auckland International Airport Limited.

Use of this Independent Assurance Report

This independent assurance report has been prepared solely for the Directors of Auckland International Airport Limited and the Commissioners of the New Zealand Commerce Commission in accordance with the Determination. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of Auckland International Airport Limited, and the Commissioners, or for any purpose other than that for which it was prepared.

Deloitte

Chartered Accountants
18 November 2015
Auckland, New Zealand