Auckland Airport

Regulatory Information Disclosure – Specified Airport Services

Annual Information Disclosures FY14

Executive summary:

- Auckland Airport remains committed to serving the interests of consumers and New Zealand by driving choice, innovation, efficiency and quality. This reflects its commitment to making journeys better and ensures that, as the major gateway for New Zealand travel, trade and tourism, Auckland Airport does not constrain the country's economic growth agenda and in fact proactively contributes to that growth.
- Auckland Airport believes that an airport's performance is best measured against a meaningful time series of data. The variable nature of the industry and its participants may lead to decisions and outcomes that differ from the industry-wide information disclosure benchmarks (including differences from year to year), yet which still promote the long-term benefit of airport consumers. We believe that the information disclosure ("**ID**") regime established by the Commerce Commission ("**Commission**") operates effectively and promotes the purpose of Part 4 of the Commerce Act 1986 ("**the Act**"). It does this by providing a greater amount of information, prepared on a transparent and consistent basis, for interested persons to assess conduct and performance of Auckland, and the other regulated airports, over time.
- In this annual disclosure we provide an update on how Auckland Airport is performing in relation to each of the limbs expressed in the purpose statement contained in Part 4 of the Act.
- At the time that Auckland Airport set prices, the Commission considered that, providing the airport was efficient, an acceptable range of targeted returns for the FY13-17 aeronautical pricing period lay between its mid-point and 75th percentile estimates of the airport's weighted average cost of capital ("WACC"), ie 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, and 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 the previous pricing period). While the moratorium remains in place, Auckland Airport will not revalue its assets for pricing purposes. This approach to pricing differs to the Information Disclosure methodology where assets must either be revalued or indexed to inflation.
- An analysis of actual FY13 and FY14 financial outturns versus the FY13-17 forecasts for aeronautical revenues, expenses and capital expenditure, but excluding revaluations (consistent with the revaluation moratorium) shows that returns achieved to date are very close to the pricing forecast endorsed as "acceptable" by the Commission. Slightly higher revenues have been more than offset by higher costs, but the 2% lower than forecast resulting profits have also been offset by a slightly lower than anticipated regulated asset base.
- In summary, excluding revaluations Auckland Airport achieved an ROI of 6.3% in FY13, 7.8% in FY14 and an average of approximately 7.0% over FY13 and FY14. The forecast average 8.0% adjusted ROI deemed to be acceptable by the Commission for the entire FY13-17 pricing period would imply ongoing ROI growth over FY15-17. It is evident from this, and the analysis presented in the commentary to schedule 1 of these disclosure statements, that the return on investment achieved by Auckland Airport on its regulated activities over 2013 and 2014 remains within the WACC range considered appropriate by the Commission.

In FY14, Auckland Airport focussed on the following aeronautical related initiatives as part of its Faster, Higher Stronger five-year business plan:

- Grow travel markets; we worked closely with airlines to drive growth in travel, trade and tourism. This resulted in new international services and capacity (international passengers excluding transit passengers increased by 5.1% to 7.7 million) as well as growth in domestic passenger numbers (up 2.2% to 6.9 million). Compared to pricing, total passengers at Auckland Airport were 1.9% higher in the year ended 30 June 2014. Domestic passengers were 3.8% higher and international passengers were 1.3% higher than pricing forecast.
- Be fast, efficient and effective; to drive ongoing reductions in total electrical energy usage we installed energy efficient LED lighting both inside the domestic terminal and on the apron, we extended the international terminal LED lighting project into ground floor arrivals and first floor departures, and we upgraded the heating and cooling of our international terminal's check-in area. We worked closely with BARNZ and Airways New Zealand to complete the SMART Approaches flight path trial to help reduce the impact of aviation on the environment and communities. We are also working closely with airlines, ground handlers, border agencies and air traffic control to improve the efficiency, predictability and punctuality of airport operations and to enhance passenger experience. This will be achieved through our Aeronautical Operating Systems upgrade and the Aeronautical Collaborative Decision Making project. As part of our ongoing operational and safety planning we completed 16 contingency planning scenarios to ensure the airport is prepared for the unexpected and can maintain its operational capabilities should an incident occur. We continued to work with border agencies to make journeys better through the use of technology, such as SmartGate, to reduce queues and save travel time for passengers.
- Invest for growth; in March 2014, Auckland Airport published its 30 year vision to create the airport of the future. It includes a combined domestic and international terminal, a second runway around 2025 and a possible extension to that runway in 30 – 50 years. Investment will be demand-triggered, stageable affordable and flexible. Through the masterplanning process Auckland Airport considered feedback from stakeholders and industry experts. A key outcome was to change the location of the new domestic operation from the North to the South. This had material implications on the broader capital plan. A focus for FY14 has been to understand those implications to ensure that investment made now and in the future is consistent with the 30 year vision. It is important to highlight that the Masterplan for the 30 year vision indicates locational areas set aside for development – it does not represent a fully worked solution. A significant amount of work remains to create a more comprehensive airport development plan. Deep engagement with our airline customers and other stakeholders has commenced and will be a feature of FY15.
- Deliver for consumers; we are continually assessing how we can deliver better services for our customers through qualitative and quantitative market research and reviewing customer feedback. During the year we increased the number of assistance staff working in the Terminals, both full time and during our peak season. These staff facilitate and improve passenger experience whilst also delivering more efficient passenger flow and on-time performance. The capacity of our Emperor Lounge was expanded by 70% to further cater for passengers who are not otherwise eligible to use airline lounges and to provide premium lounge facilities for our airline customers without access to other lounges at Auckland Airport. We continued to respond to customer feedback by; improving our multi-language flight information displays (which now communicate flight information to passengers in nine languages), introducing multi-language public announcements, improving way-finding, and continuing our gate lounge refreshment and refurbishment programme.

Introduction

This introduction is intended to assist in interpreting the information required to be set out in the following **ID** schedules in the context of the purpose statement in Part 4 of the Act.

This disclosure is the second 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 highly consistent since the commencement of disclosure reporting.

The purpose of ID as provided in the Commerce Act is for Auckland Airport to provide sufficient information to enable interested parties to assess Auckland Airport's performance over time, and in comparison to Wellington Airport and Christchurch Airport.

On 31 July 2013 the Commission completed its s56G review in relation to Auckland Airport. The Commission's final conclusions in relation to Auckland Airport were that:

(a) ID regulation was effectively promoting the desired regulatory outcomes in some areas: innovation, quality, pricing efficiency and limiting excessive profits.

(b) It was unable to conclude on the effectiveness of ID regulation in other areas: operating efficiency, efficient investment and sharing of efficiency gains. The Commission considered that it was too early to draw conclusions in these areas, and that information on actual results over a longer period of time is necessary before conclusions could be drawn.

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

It is difficult for any industry-wide disclosure regime, no matter how good, to accommodate within standardised templates all the individual characteristics and circumstances of industry participants. This is particularly the case in an industry such as the airport sector, which exhibits wide differences in size, scale, networks, airline customer competition, infrastructure, asset bases and growth rates. Care therefore needs to be taken when interpreting variances of actual performance to the ID benchmarks and when making comparisons between airports.

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.

The Commission's ID requirements for these annual disclosure reports, provide for the on-going revaluation of assets and inclusion of these revaluations in the regulatory profit used to calculate the ROI. This differs to the moratorium approach for Auckland Airport which does not include unrealised valuation gains in the regulatory asset base and regulatory profit.

Both methods are valid in that over time they should produce the equivalent net present value results, but measuring performance using one methodology against actual results derived from another methodology can bring challenges in interpreting results and meaningfully assessing the long-term effectiveness of the new regime.

As part of the s56G review Auckland Airport has clarified for interested parties that it has no intention to revalue its asset base for the next pricing period (FY18-FY22). Continuing the moratorium or an approach involving indexing of the moratorium from FY18 onwards are both distinctly possible outcomes. However, if the moratorium is unwound in the future, and a revalued asset base is used in pricing, the cumulative revaluation impact will be treated as an offset to the future revenue requirement (in a net present value ("**NPV**") neutral manner).

This disclosure report complies with the ID requirements and provides context of results relative to the s56G review recently completed by the Commission in relation to Auckland Airport.

To summarise, 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 set out our approach to generating these benefits and provide examples for the 2014 disclosure year.

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

1.1 Innovation philosophy

Innovation is the successful implementation of creative ideas. Successful innovation serves several purposes. It can lead to improvements in operational performance, reliability performance, efficiency of expenditure, efficiency of investment and success of route development initiatives. It can also lead to reductions in operational risk which might not be obvious to consumers, but in an industry like aviation the benefits are real.

The introduction of new processes or technologies to improve departures, arrivals and border processing is a continuous focus for Auckland Airport. Successful initiatives can increase the propensity to travel and increase the capacity of existing infrastructure, thus deferring capital expenditure on new infrastructure until it is needed.

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 the need for further investment.

Auckland Airport's partners in the aviation industry are also deeply involved in the identification and development of innovations through airport-wide initiatives to incentivise good ideas. Each time-saving initiative helps with reliability, customer satisfaction, capacity utilisation and operational improvements. Auckland Airport has a role to actively facilitate identification of opportunities and priorities for implementation. In such situations, the benefits of innovation are likely to flow either directly or indirectly to consumers. Auckland Airport's investment in innovation may require modest investment in management time and effort, or could involve significant investment in order to 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 of passenger experience and airfield operations processes. This was outlined in earlier disclosures and has continued in FY14. One of the key drivers of innovation is destination competition. To compete effectively with the likes of Sydney, Melbourne and Brisbane Airports, our airport processing, operations and product offer must be as good, if not better, than that 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 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 also not without risk.

In the 2013 s56G Review the Commission concluded that the level of innovation appears to be appropriate, and airlines generally consider that Auckland Airport facilitates airline-led innovation.

1.2 Our innovations in FY14

Airport led innovation

a) Aeronautical Operating Systems upgrade - Auckland Airport invested in the design and development of a new airport operating system. It is a data exchange that will help optimise asset utilisation and capacity management, with the potential to increase runway peak capacity. It will also facilitate more collaborative and timely decision-making, positively impacting airlines' on-time performance, operational efficiency and enhancing the customer experience.

b) Asset management – Auckland Airport continues to enhance its asset management practices. In FY14 we reviewed asset management plans for all assets. Improving asset management plans delivers the lowest life cycle cost for a specified service level. Annual reviews of asset management plans include customer feedback to ensure that customer service level requirements are constantly evolving. As part of asset management improvements in FY14, Auckland Airport has undertaken a number of initiatives to improve reliability, including, increasing the amount of non-destructive condition assessments undertaken, investigating customising asphalt on the taxiways and apron and options to upgrade the baggage handling system to reduce damage to bags.

c) Passenger flow management – Auckland Airport has considered a number of options to enhance passenger tracking and provide passenger counts across the international terminal. This will enable the provision of better and timelier services.

d) Computer Aided Simulation Technology (CAST) planning model – Auckland Airport has invested in the development of a CAST model of the international terminal. This model will assist with capacity planning and process improvement. In FY14, Auckland Airport worked with stakeholders to develop the base capacity data required to input into the model.

e) Counter allocation – the counter allocation process is now conducted by ACL, an independent party. Auckland Airport has worked closely with ACL to understand usage patterns, optimising capacity utilisation and reducing the need for new investment.

f) Slot co-ordination – Auckland Airport has successfully managed the transition to an independent process for managing slot co-ordination. Independent slot co-ordination is in-line with international best practice and provides access to world class systems, facilitating intelligence led slot management.

g) Traffic management plan in the international breezeway – A project to improve the efficiency of baggage delivery by improving traffic flows in the breezeway was completed in FY14.

h) Automated carousal allocation tool – Software has been developed to control carousel allocation activity through agreed business rules. This project optimises the utilisation of the reclaim belts and has reduced the number of late carousel changes.

i) Sustainability – Auckland Airport prides itself on being a responsible company. By respecting the environment, we are able to grow our business sustainably and create long term value for all of our stakeholders. Our sustainability policy is focused on 11 key areas, including energy and fuel efficiency, waste minimisation, water conservation and sustainable transport. In FY14, Auckland Airport undertook a number of programmes to help us achieve our targets by 2020. Two examples are the installation of energy efficient lighting in the international terminal, and an upgrade of the heating, ventilation and air-conditioning system in the check in area. The energy efficient lighting in the international terminal generated electricity savings of 73%. The heating, ventilation and air-conditioning upgrade resulted in electricity savings of 84% and gas savings of 56%. Auckland Airport's sustainability innovations are reflected in its membership in the Dow Jones Sustainability Index (Asia Pacific) and FTSE4Good index. Auckland Airport also maintained its Earthcheck Silver certification status, confirming us as a leader in sustainable tourism.

Facilitation of innovations with others

a) Aeronautical Collaborative Decision Making (A-CDM) – Auckland Airport is working together with aircraft operators, ground handlers and air traffic control to improve the efficiency, predictability and punctuality of airport operations. This will be achieved through the sharing of real-time and predictive operational data. Auckland Airport will be the first airport in New Zealand to go live with A-CDM, expected to occur in FY15.
b) Departures project – Auckland Airport has supported a New Zealand Customs led project applying a continuous improvement methodology to the departures process. The project aims to optimise the departures process to deliver a more streamlined and efficient experience for passengers. A number of initiatives have been trialled and tested and will be progressed further during FY15.
c) Apron optimisation - Auckland Airport is working with Air New Zealand, Menzies Aviation and Skycare to optimise the international apron activities. Key objectives of the project are to improve on-time performance, maximise capacity utilisation of airport assets and to reduce operating costs associated with towing and ground services.
d) SmartGate technology – During the year New Zealand Customs expanded SmartGate to include United Kingdom and United States citizens. This is a great example of Auckland Airport working with border agencies to improve the passenger experience.

2. Having an appropriate incentive to invest

2.1 Investment philosophy

Auckland Airport is an economic growth engine for the New Zealand economy. The airport welcomes 75% of all international arrivals to New Zealand and is the country's second largest cargo port by value.[1] The operation of Auckland Airport and its neighbouring activity in 2013 contributed $3.5 billion to regional GDP; provided 33,100 jobs; and contributed $1.9 billion to Auckland's household incomes. A key goal of Auckland Airport is to enhance this economic contribution as much as possible. We continue to take steps to increase productivity by investing in smart airport infrastructure, in air-service development and, in conjunction with our key stakeholders, by initiating and promoting programmes to attract more tourists and trade to New Zealand. We consider that we have a responsibility to the region and New Zealand to ensure 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 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, extensive community and stakeholder engagement.

In March 2014 the airport's 30 year vision was published. Our vision is to build a world-class airport that supports airlines and aviation-related businesses to be economically successful and to boost Auckland's and New Zealand's economies. Insight Economics has calculated the benefits of the airport's 30-year investment in infrastructure to include a $2 billion increase in regional GDP; creation of more than 27,000 new full-time construction jobs; and a $1.4bn lift in the incomes of Auckland households. More information about the airports' 30-year vision is available online: www.airportofthefuture.co.nz.

[1] Source: Insight Economics: Estimating the Regional Importance of Auckland Airport, February 2014 http://www.aucklandairport.co.nz/~/media/Files/Corporate/Economic-Importance-of-Auckland-Airport.pdf

Our investment philosophy is that:

- The infrastructure the airport needs should be built in stages to ensure the vision is affordable, flexible and delivered as and when required.
- Growth in passengers and flights will be the trigger for our development.
- A long-term planning horizon is important as it provides transparency for stakeholders, and clarity for the central government and Auckland City Council in its territorial local authority function so they appropriately plan for the future.
- A reasonable long-term return should be earned on investment.
- There are relatively shallow capital markets available in New Zealand to finance the nature and large scale of capital investment required to accommodate growth at Auckland Airport. This means that that the Company must be able to raise and attract funding from a wide range of sources. Access to global capital is therefore critical to our ability to invest for future growth.

The Commission drew the following findings in respect of capital expenditure in its s56G Review of Auckland Airport:

a) The Commission considered that information about actual capital expenditure is necessary in order to draw conclusions about the effectiveness of ID in promoting incentives to invest.[2]

b) However, it noted that airlines had commended the improved consultation process for capital expenditure adopted by Auckland Airport.[3]

The Commission acknowledged that, as a result of that process, airlines generally agreed the level and timing of planned investment for the FY13 to FY17 period was efficient. The Commission concluded that ID regulation appears to have promoted an efficient investment plan for 2013-2017.

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.

When Auckland Airport's five year aeronautical plan was developed (as included in its 2012 price setting disclosure), the masterplanning process had not been completed. As a consequence of a material change in planning assumptions, in particular the optimal location of future domestic capacity (which has changed as a result of the masterplanning process and the exploration of options put forward by airlines), it has been prudent to pause and review the five-year aeronautical investment plan to understand critical interdependencies and ensure that the short-term plan was still appropriate and efficient in light of the medium to long-term vision and investment plan. 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 masterplan
- Demonstrate capital efficiency in a capital planning environment by minimising whole-of-life spend
- Innovate to optimise the use of the existing facilities.

A new programme management approach to planning has been established by the Aeronautical Operations and the new Airport Development and Delivery teams during FY14. As at 30 June 2014 Management was:

- Forming an Airport Development and Delivery team and programme management office
- Testing the new capital governance process
- Establishing an airport development plan[4]

[2] Auckland International Airport Limited Final s56G Report 31 July 2013, page 124, H13.

[3] Auckland International Airport Limited Final s56G Report 31 July 2013, page 127, H20.

[4] This is intended to provide a more granular level of detail, based on the Masterplan. It will identify individual projects, interdependences between them, timescales for delivery and estimated costs.

- Procuring suppliers with appropriate qualifications and experience.

2.2 Developments in the last 12 months

This is the second year of the five-year aeronautical investment plan set out in the 2012 price-setting disclosure. Consistent with the commitment made at the time of pricing, Auckland Airport continued its practice of meeting with the BARNZ Cost and Regulatory Committee ("**BARNZ C&R**") to discuss annual capital expenditure progress and plans for the forthcoming year.

In November 2013, BARNZ C&R was updated on the draft 30 year vision. It was signalled that the masterplan was indicating:

- A new domestic facility in a Southern location, integrated with the International facility.
- A future northern runway.
- International airfield growth towards the North, centring around the existing Pier B.
- Provision for rail to the airport.
- Relocation of the air traffic control tower to a future mid-field location.
- Significant development of supporting infrastructure such as roads, car-parks, office and retail accommodation and utilities.
- All aeronautical developments to be activated by capacity triggers.

As set out at the time of pricing, capital expenditure planning is set within the context of the longer-term masterplan. As a result of airline feedback on the new terminal facility and following expert review during the masterplan process, the location for future domestic terminal capacity was changed - from the North, to the South (closer to the existing runway). This affects short, medium and long-term planning decisions. As a consequence it has been necessary to review the five-year aeronautical investment plan.

The BARNZ C&R has been involved in discussions on the appropriateness of deferral and repurposing of some capital expenditure following the publication of the 30 year vision.

Auckland Airport also sought input from the BARNZ C&R on their business priorities and requested input on ideas for operational improvements through capital investment. Explanation was provided and feedback sought on FY13 capital variations to forecast, up-to-date views of facility performance and the plan for FY14 capital expenditure. It was proposed to continue and or commence the:

- Domestic terminal building short term capacity upgrade
- International terminal building check-in project
- International terminal building baggage reclaim 1 as part of the overall international arrivals product
- Asphalt apron replacement programme
- Concrete runway & apron replacement programme
- ITB airbridge replacement programme
- Other capital expenditure programme.

The BARNZ C&R was asked to consider whether the key capital expenditure projects for New Stand 1 and Taxilane 1 remained efficient expenditure given these would provide maximum efficiency if the ultimate development had included a northern domestic facility. In light of the outcomes of the 30 year vision it was agreed not to proceed with the projects. No operational issues have developed.

The first draft of a re-purposed capital expenditure forecast was developed and has been presented to the BARNZ C&R. Subsequent to this the BARNZ C&R has provided feedback at each key stage for major projects.

It is important for stakeholders to understand that until the 30 year vision was published in March 2014 there was some uncertainty with respect to key capital projects. As a consequence it was appropriate to delay the start of some projects such as those relating to baggage reclaim and check-in, until there was certainty of the location of future domestic expansion. The Company remains committed to providing transparency in its planning and to investing optimally. This has resulted in:

- A delay to the originally intended timing of some projects
- A need to introduce operating cost solutions over capital solutions in some instances
- More expenditure on asset replacement and renewal assets and less in capacity growth projects than originally forecast in pricing
- Actual capital expenditure period to date that is $45m less than forecast at the time of pricing.

However, in the circumstances, Auckland Airport considers that these outcomes represent the efficient and sensible delivery of investment. We believe it is consistent with the nature of information disclosure regulation that we seek to appropriately and efficiently implement investment planning decisions, which includes the ability to adjust those decisions in response to changing circumstances and in consideration of feedback from our customers.

Auckland Airport will continue to work with the BARNZ C&R to review the five year aeronautical investment plan to better align it with the outcomes of the 30 year vision, as well as the immediate needs of the facilities and infrastructure in line with airline and airport requirements. We will also work to re-purpose investment where it is appropriate to do so. A material change in this regard is the acceleration of an inception and feasibility study for Pier B, within this pricing period.

The planning team and consultants have also been required to be heavily involved with the Proposed Auckland Unitary Plan (PAUP) commenced by Auckland City Council in 2013. The PAUP process is the first of its kind in New Zealand. The PAUP has generated a number of concerns about the Airports land use controls relative to aircraft-generated noise contours, which will require a specialised level of response through the judicial process.

The Auckland Council notified the Proposed Auckland Unitary Plan (PAUP) for public notification on 30 September 2013. The PAUP combines all existing Auckland district and regional plans into one document and is the first of its kind in New Zealand. Through its submissions, Auckland Airport has sought to protect its aeronautical capacity and resilience through revised land use controls, which restrict the development of Activities Sensitive to Aircraft Noise ("ASAN") within the High and Medium Aircraft Noise Areas. The planning team and specialists have been heavily involved in this process through FY14 and it remains on-going.

The Masterplan (the Airport's 30 year vision) promotes the need for a long-haul capable northern runway for the future. A Notice of Requirement ("NOR") is being prepared to enable the development of the Northern runway in the future. Dialogue with BARNZ, as well as other stakeholders is on-going.

It is important to note that the cost of participation in the PAUP process and achieving the future designation through the NOR process is very difficult to predict as the process continues to evolve and the extent of stakeholder feedback is as yet uncertain. The cost of these processes were unforeseen at the time of pricing.

The most significant project for the year to 30 June 2014 was the substantial completion of the domestic terminal building (DTB) capacity enhancement project and the ongoing investment in minor capital expenditure.

- DTB capacity enhancement: Works to improve the capacity of the DTB to accommodate growth in the near-term continue in FY15, however these were substantially completed in FY14 and are currently tracking below budget. The project scope was also increased to include unanticipated costs such as accommodation of the changing Air NZ regional fleet. The scope of the brief has been fulfilled, however it is noted that some stakeholders are signalling a desire for further minor investment in the facility. Requests will be evaluated as they are received.

- Minor capital programme: Material investments were made to address operational risks not apparent at the time of pricing (e.g hovercrafts, other marine fleet and an acceleration of the fire truck requirements). This is explained in further detail in Schedule 6.

Key elements of the repurposed future investment plan are:

- Baggage reclaim:
  - The conclusion of the 30 year vision aligns with a future integrated terminal with the new domestic facility in a Southern location. This has enabled a decision to be made on the optimal location of future baggage reclaim infrastructure. Works are now underway for the delivery of a sixth (and code F compliant) reclaim belt prior to the FY15 summer peak.
  - A seventh (and code F-compliant) reclaim belt will be delivered to meet the FY16 summer peak. While this additional baggage reclaim belt was not envisaged as part of this pricing period, in consultation with our airline customers, we have agreed to bring this spend forward seeking to accommodate this within our 5 year priced capital commitment.
- Emigration:
  - In agreement with the joint border agencies and the BARNZ C&R, in 2013 we collectively concluded that emigration would reach capacity by 2015. Auckland Airport has commenced a project to establish the preferred location and capability of a new emigration facility as well as the consequential needs and effects for increased airside dwell. This project has already progressed through feasibility and has been communicated to the BARNZ C&R as well as the joint border agencies. We are currently undertaking a concept design with a view to the additional capacity starting to be available in the latter half of FY16.
- Pier B:
  - In conjunction with the airlines we have agreed to examine the earlier-than-anticipated provision of expanded stand and gate facilities at Pier B for the benefit of all international airlines. This request aligns with the 30 year strategic vision and, while there was a view that this would be addressed in the next pricing period, we have agreed to undertake both inception and feasibility studies within this current pricing period.
- Check-in:
  - We are commencing the investigation of common-use self-service check-in facilities and have agreed with airlines to conduct both inception and feasibility studies into the provision of these facilities at the international terminal. This requires a review of the existing baggage handling system. Auckland Airport remains committed to the development of technology-based solutions to enhance the passenger experience. While this check-in project is focussed on common-use provision, it will not preclude other technologies and changes to operational procedures that will drive capital, asset and operational efficiencies.
- Concrete runway and apron replacement:
  - Auckland Airport reviewed its process for procuring runway and apron replacement services in FY14. A new process has been developed to award a three-year contract for these services in order to increase certainty of cost and minimise operational impact by having greater continuity within the supply chain. Due to our investment in the Micropaver asset condition assessment system, we have been able to drive a robust three-year programme of works which will be competitively procured through the market. This will enable the minimisation of preliminary activities such as site set-up, knowledge transfer and site awareness leading to greater capital efficiency as well as minimising operational disruption.
- Terminal integration:
  - A significant spend is anticipated with the integration of domestic services in a combined and integrated facility. Whilst this programme was specifically excluded

from the current pricing schedule, it is anticipated that we will commence consultation as well as early inception and feasibility studies within this pricing period.

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

3.1 Service philosophy

Auckland Airport considers the quality of the service it provides to be critical to its performance as New Zealand's international and domestic gateway. If our quality of service is below par, then this has flow on effects for all travel, trade and tourism businesses that rely on Auckland Airport.

Auckland Airport is focused on continually making improvements to the 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 fair to poor performance to identify where quality issues maybe 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.

In its s56G review of Auckland Airport the Commission found that ID regulation was effectively promoting the provision of quality at a level that reflects consumer demands, airlines were generally satisfied with the quality of service, and quality at Auckland Airport compared well to other airports. The Commission noted that the quality of services provided by Auckland Airport is high.

The Commission also noted that quality includes actions taken by Auckland Airport that impact the quality of services provided by downstream suppliers. The Commission has noted that Auckland Airport's behaviour drives and facilitates efficiencies for downstream suppliers.

The reliability measures in Schedule 11 and operational improvement indicators outlined in Schedule 15 also serve to highlight how well Auckland Airport provides services to airlines. Auckland Airport believes the best measure to calculate reliability of these core services is the percentage of available time. Analysis calculated on this basis is provided in the commentary section of Schedule 11.

3.2 Service quality updates for the last 12 months;

Consumers

a) In FY14 Auckland Airport continued to work closely with airlines to drive growth in travel, trade and tourism. During this financial year, a number of airlines announced new services and capacity:

- Air New Zealand increased its flights to Bali, the Sunshine Coast and the United States in the winter season. It also announced increases to its San Francisco-to-Auckland service from seven to 10 weekly flights during the 2014-2015 peak season, and introduced a new B777-300 from mid-July to provide 8% more seat capacity on that route. Air New Zealand announced it will increase the frequency of its flights between Melbourne and Auckland during the upcoming December-to-January summer peak period, and will extend its four-flights-per-week seasonal service to Honolulu through to the end of November.
- Emirates started flying a third A380 to Auckland in October 2013, servicing the airline's Dubai-Brisbane-Auckland route.
- Jetstar used a B787 Dreamliner aircraft on its Melbourne route in February and March this year and has announced that it will be adding six flights per week to its Melbourne route and one flight per week to its Sydney route.
- LAN Airlines started flying daily services to Santiago and Sydney in June 2014.
- China Southern Airlines commenced flying New Zealand's first commercial B787 Dreamliner service on its Guangzhou-to-Auckland route, resulting in 5% more seat capacity. China Southern also provided two additional return flights during the 2014 Chinese New Year celebrations and then increased its Guangzhou-to-Auckland service from seven to 10 weekly flights until October 2014, after which it will increase services to double daily until March 2015.
- Malaysia Airlines increased the number of flights from six to seven per week during the November-to-January peak summer period. In November, it decided to offer daily flights between Kuala Lumpur and Auckland from March 2014.
- Qantas announced an A330 aircraft twice-weekly service between Perth and Auckland from December 2014 to April 2015.
- China Airlines announced it will change its A330 aircraft to a B747 on its Taipei- Brisbane-Auckland route during the summer peak and increase the number of flights from three to four per week, adding 15,000 seats to the route.
- China Eastern Airlines operated two return charter flights from China over the 2014 Chinese New Year period.

b) Unfortunately the macro economic and political environment also created some material challenges for the airlines in FY14. As a consequence we also saw some reductions in the past 12 months. Air New Zealand reduced its service to Osaka from year-round to seasonal, as did Korean Air to Seoul. Thai Airways reduced some of its services to Bangkok and Qantas announced that it would reduce its weekly services to Melbourne and Sydney. Jetstar announced that it would be ending its Auckland-Adelaide and Auckland- Singapore services.

c) Customer experience initiatives - a significant number of customer experience initiatives have been put in place to maintain and/or improve customer satisfaction scores in FY14. In summary, the following initiatives have been implemented:

- International terminal gate lounge refurbishment and refreshment programme
- Domestic terminal short term capacity upgrade
- Multi-language flight information display screens (FIDs) – now capable of 9 languages
- Multi-language public announcements
- Dynamic messaging in the arrivals hall to facilitate baggage reclaim and biosecurity processing
- New directory maps
- Airport concierge service on arrivals

- New cultural training programme for roving agents and airport concierge staff to improve customer service
- Expansion of Auckland Airport's Emperor Lounge – a VIP lounge
- Mystery customer experience programme covering retailers and key operational areas (bathrooms and food-courts) to assess performance against customer service KPIs
- Mandarin speaking ambassadors and increased mandarin speaking retail staff
- Provision of thirty minutes of free WIFI
- Chinese New Year activities
- Improved way-finding
- Removal of out-dated FIDs screens
- Terminal advertising de-clutter to improve the terminal experience

d) Summer peak management – Auckland Airport works with the airport community to plan for the summer peak. In FY14, Auckland Airport increased the use of summer students to assist in managing processes to improve the customer experience.

e) Baggage handling – during FY14 Auckland Airport initiated a project to reduce the number of bags damaged by the baggage handling system. A new type of baggage sortation device will be installed during FY15.

f) Passenger flow management – Auckland Airport has selected the preferred supplier to deliver a passenger counting and tracking solution in the international terminal. Through a better understanding of passenger flows and behaviours across the end to end passenger journey, Auckland Airport will able to provide better and more timely services.

g) In the 2013 Skytrax World Airport Awards, Auckland Airport was voted the best airport in Australia-Pacific for the sixth year in a row, the second-best airport in the world serving 10 - 20 million passengers and the eleventh best airport in the world. This is a further external indicator of service quality.

Airport stakeholders

a) Reliability - Auckland Airport continues to manage its assets with a view to delivering maximum availability to airlines. In 2014 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 reduced significantly, from 93 in FY13 to 36 in FY14.

b) Realignment of Air New Zealand's International to Domestic transfer – Auckland Airport worked with Air New Zealand to improve the international to domestic transfer process. This involved the upgrading of the baggage system and updating passenger way-finding. The new process will provide a better experience for passengers and enable the more efficient use of resources.

c) Fixed electrical ground power unit (FEGP) upgrade – Auckland Airport worked with Air New Zealand to support the introduction of the new 787-900 series of aircraft. The existing FEGPs were not able to handle the increased electrical demands of the 787-900s. Auckland Airport has instigated a programme to upgrade units that are able to be used with 787-900s.

d) Taxiway Lima – the opening of taxiway Lima in July 2013 has successfully reduced congestion and delays by reducing ground holding for aircraft and improving traffic flow. Taxiway Lima also allows for the more efficient management of aircraft in low visibility operations.

Other stakeholders

a) Auckland Airport has a noise mitigation programme designed to reduce noise impacts and meet our obligations to the community. The Auckland Airport Community Trust, which is funded by Auckland Airport, donated $0.3m in its 2014 funding round.

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

Auckland Airport seeks to generate efficiencies year on year and share the benefit of those efficiency gains with consumers over time.

In the s56G review the Commission considered that there was limited evidence of historic efficiency gains at Auckland Airport that could be shared. It considered that more information is needed about actual efficiency gains over time before it can conclude whether gains are being shared. In the Commission's view efficiencies might be observable as:

- Reductions in operational expenditure (opex) while maintaining (or even increasing) the quality and quantity of service provided as a result of improvements in managerial efficiency
- Opex efficiency gains may also result from an increase in quantity or quality for no additional opex.

Sharing of benefits and Industry Leadership

- Auckland Airport encourages its staff to reach and outperform forecasts. FY14 was the second year in the five year strategy "Faster, Higher, Stronger". It included ambitious goals such as being on a path to reach 20 million passengers by 2020. In order to achieve such goals, Auckland Airport will need to invest (especially in marketing) in order to bring forward growth. If successful, the incremental benefit of volume growth will outweigh the incremental cost of investment in the long-term. Incremental investment above forecast is not recovered in pricing and consumers will benefit at each pricing period to the extent that un-forecast investment leads to higher volume growth and delivers lower unit prices at each price reset than would otherwise be the case. As intended, Auckland Airport has invested materially in aeronautical marketing in 2014.
- Auckland Airport invested jointly with government in the development of a strategic tourism framework to deliver growth for our country. Known as Tourism 2025, the framework targets 6% annual growth for the tourism sector, to increase revenue from $24 billion today to $41 billion by 2025. This is an ambitious plan that will deliver significant benefits to consumers in terms of choice and travel cost. One of the key pillars of the framework is a focus on growing sustainable air connectivity.
- We also continue to invest in tourism initiatives to ensure the New Zealand tourism industry is well positioned for future growth. In May 2014, we hosted another Asia Summit to enable industry experts to share their knowledge of New Zealand's key Asian markets, including China, India and Indonesia. The summit coincided with the publication of our perspectives on market insights, trends and opportunities in Ambition 2025 - a document that sets aspirational targets for the tourism industry for each of our 18 major passenger markets. More information about Ambition 2025 is available online: www.ambition2025.co.nz.
- Auckland Airport has shared benefits with the industry of activities unforeseen at the time of pricing. In FY14, Auckland Airport was involved in the SMART trials in collaboration with Airways and Air New Zealand. In support of this project, Auckland Airport invested $0.6m in this initiative, a project that was unforeseen at the time of pricing and, if successful, will deliver benefits to the airlines and the environment, not Auckland Airport specifically.

Generating efficiencies

As well as having a strong growth focus, Auckland Airport disconnects costs (including capital expenditure) from passenger volume growth wherever possible to help drive down unit cost and reduce pressure on pricing.

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.

Auckland Airport targeted unit operating cost efficiencies during the pricing period. These represent optimistic targets where the benefits have been passed through to today's consumers, despite the fact these gains have yet to be achieved. In practice our ability to lock in forecast efficiencies will depend upon:

- The accuracy of forecasts used in price setting
- Change in business scope over the pricing period (eg if we take on board a new service)
- Strategic decisions to invest now for future growth (eg route development)
- Costs outside the control of Auckland Airport
- Un-anticipated costs that are efficiently incurred
- Capital and operating trade-offs such as decisions to efficiently incur additional operating cost and prudently defer capital expenditure.

4.2 Efficiency progress in the last 12 months

Top-line operating costs grew by just $0.7m in FY14 vs FY13, however still exceeded the operating cost base in pricing by $6.9m. Similar to FY13, this is mainly attributable to costs associated with route development activities and the long term incentive plan that weren't included the FY13-FY17 pricing forecasts. In FY14 Auckland Airport invested $3.6m more in marketing promotions and PR, largely directed at pursuit of higher growth. Also the long term incentive plan, established many years before pricing, was revalued based on Auckland Airport's share price.

After adjusting for non-forecast route development and long-term incentives operating costs were contained at $78.8m, largely in line with forecast and $900k improvement on the adjusted costs for FY13. . In FY13 adjusted operating costs per passenger were $5.49. Auckland Airport forecast operating cost efficiencies and a target operating cost per passenger of $5.36 in its pricing. On an adjusted basis in FY14 operating costs per passenger were $5.23.

Energy efficiency projects continued in FY14 with a further reduction in total electrical energy usage of 3.7% across both terminals including:

- Full year savings from the check-in air conditioning upgrade in the international terminal were $130,000.
- An extension of the LED lighting project, into ground floor arrivals and first floor departures, in the international terminal realised part year savings of $5,000.
- The later project introduced coloured LED into the terminal for the first time, improving the ambience of the space and the passenger experience.
- In the domestic terminal the upgrade introduction LED lighting, both inside the terminal and on the apron, and achieved part year savings of $3,000.

Auckland Airport continues to use the Collaborative Operations Group ("**COG**") to identify efficiency opportunities within the end to end operations process.

Schedules 11 and 12 point to the quality of service delivered in FY14 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 FY14) and 3.2 (service quality updates).

Earning a fair and reasonable return on the investments made

5.1 Philosophy

Auckland Airport targets a reasonable return when setting its 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.

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.

Given the regulatory, political and commercial debate that surrounds aeronautical charges, Auckland Airport periodically commissions an independent expert assessment of how its charges compare with other airports that are relevant to its market, as evidence of the competiveness and reasonableness of charges.

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 very seriously and continues to strive to deliver very high standards of governance.

Forecast returns

On 31 July 2013 the Commission concluded in its s56G review that Auckland Airport has targeted returns within an appropriate range for the 2013-2017 pricing period, based on a reasonable assessment of how, at the time of pricing, Auckland Airport considered the Commission might assess its performance.

The Commission estimated that Auckland Airport's expected return over the FY13-FY17 period to be 8.0% per annum. The Commission concluded that although this target return is above its assessment of a normal return, it is just within the upper limit of an acceptable range of returns of 7.1% to 8.0%. Accordingly, the Commission concluded that ID regulation is effectively promoting an appropriate economic return for Auckland Airport over time, and promoting the Part 4 purpose in relation to profitability (s52A(1)(d)).

Variations to forecast

In May 2012 when aeronautical prices were set, Auckland Airport was focussed on ensuring its forecasts were unbiased. However it was also not expected that the forecast would be perfect. The aviation sector is simply too dynamic to accurately predict five years ahead.

Actual returns are therefore a product of current economic trading conditions, strategic and tactical decisions, prevailing business conditions and current consumer priorities.

5.2 Progress to date over FY13-17 pricing period

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

Year	Commission's S56G Benchmark post-tax WACC range for FY13-17[5]		Commission's post-tax WACC determination for disclosure year		Post-tax return per annual disclosure methodology	Estimated post-tax return excl revaluations
	50th percentile	75th percentile	50th percentile	75th percentile		
FY13-17 Forecast	7.1%	8.0%				8.0%
2013			6.49%[6]	7.48%[6]	6.46%	6.3%

[5] Cost of capital determination for information disclosure year 2013 for specified airport services (March year-end) and electricity distribution services , Commerce Commission, page 2

[6] Cost of capital determination for information disclosure year 2013 for Transpower, gas pipeline businesses and suppliers of specified airport services (with a June year-end), Commerce Commission, page 3

2014			6.77%[7]	7.75%[7]	8.59%	7.8%
FY13-14 Average	7.1%	8.0%				7.0%

While, as is usual, there have been some 'unders and overs' in Auckland Airport's actual FY13 and FY14 financial out-turns versus the forecasts used to set the FY13-17 aeronautical price path, the bottom line returns excluding revaluations (consistent with the agreed revaluation moratorium for price setting) are very close to the forecast that was endorsed as acceptable by the Commission in its s56G review. For example, higher revenues have been more than offset by higher costs, but the 2% lower than forecast profits have been offset by a slightly lower than anticipated regulated asset base.

Importantly, in its s56G review, the Commission assessed returns over the entire five year FY13-17 pricing period, rather than relying on annual return measures. And, in arriving at its 8.0% expected five year return estimate, the Commission expressly excluded asset revaluations over that period from reported returns and from the regulated asset base. Excluding revaluation gains from reported regulatory profit and from the regulated asset base results in a post-tax ROI of approximately 6.3% in FY13, 7.8% in FY14 and an average of approximately 7.0% over FY13 and FY14. The forecast average 8.0% adjusted ROI deemed to be acceptable by the Commission for the entire FY13-17 pricing period would imply ongoing ROI growth over FY15-17.

Furthermore, no return is being earned on land held for the future second runway and expansion of aircraft and freight which is being prudently being held for future use and has a carrying value of $235 million. This land does provide 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.

[7] Cost of capital determination for information disclosure year 2014 for Transpower, gas pipeline businesses and suppliers of specified airport services (with a June year-end), Commerce Commission, page 3

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 2014
Disclosure Year (year ended)	30 June 2014
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 2014**

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT

ref *Version 2.0*

($000 unless otherwise specified)

1a: Return on Investment

ref			CY-2 *	CY-1 *	Current Year CY
8	**Return on Investment (ROI)**	*for year ended*	**30 Jun 12**	**30 Jun 13**	**30 Jun 14**
9	Regulatory profit / (loss)		78,508	76,083	101,128
10	*less* Notional interest tax shield		3,431	2,829	2,725
11	Adjusted regulatory profit		75,077	73,254	98,403
12	Regulatory investment value		1,142,121	1,134,191	1,144,997
13					
14	ROI—comparable to a post tax WACC (%)		6.57%	6.46%	8.59%
15	Post tax WACC (%)		7.56%	6.49%	6.77%
16					
17	ROI—comparable to a vanilla WACC (%)		6.87%	6.71%	8.83%
18	Vanilla WACC (%)		7.86%	6.75%	7.01%

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 years ended 30 June 2012-2014 (FY12-FY14). Auckland Airport's post-tax ROI under the Commission's prescribed information disclosure methodology for the year to 30 June 2014 of 8.59% exceeds the Commerce Commission's published mid-point and 75th percentile WACC estimates for FY14 of 6.77% and 7.75% respectively. However the more relevant ROI measure outlined below, which aligns with Auckland Airport's moratorium on asset revaluations for pricing purposes, is almost identical to the Commission's 75th percentile WACC for FY14.

This year's aeronautical returns were determined by the aeronautical prices set during 2012 for the FY13-17 pricing period ("PSE2") following extensive consultation with airlines and their representatives. In this regard, we note that:

1. On 31 July 2013 the Commerce Commission completed a 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. While, as is usual, there have been some 'unders and overs', an analysis of actual FY13 and FY14 financial outturns versus the FY13-17 forecasts in terms of aeronautical revenues, expenses and capital expenditure, but excluding revaluations (consistent with the revaluation moratorium for price setting) shows that returns are very close to the pricing forecast that was endorsed as acceptable by the Commission. Slightly higher revenues have been more than offset by higher costs, and the 2% lower than forecast profits have been offset by a slightly lower than anticipated regulated asset base (owing to initially slower than expected capital expenditure). Refer to Schedule 6 for a detailed analysis of opex and capex variances versus the original PSE2 pricing forecasts.

3. Importantly, for the purpose the Commission's s56G analysis, it assessed returns over the entire five year PSE2 pricing period, rather than relying on annual return measures. And, in arriving at its 8.0% expected five year return estimate, the Commission expressly excluded asset revaluations over that period from reported returns and from the regulated asset base. This reflects the revaluation moratorium agreed between Auckland Airport, major airlines and their representatives (at their request) for setting aeronautical prices for FY13-FY17.

4. While the moratorium remains in place, Auckland Airport cannot gain any economic benefit from revaluation gains. And, if we were to abandon the moratorium for a future pricing period and increase opening RAB value to reflect prior period revaluations, the Commission's view is that because these unforecast revaluations did not offset previous pricing period revenues, they must offset future pricing period revenues.

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

Year	Commission's S56G Benchmark post-tax WACC range for FY13-17		Commission's Post tax WACC determination for disclosure year		Post tax return per annual disclosure methodology	Estimated Post tax return excl revaluations
	50th percentile	75th percentile	50th percentile	75th percentile		
FY13-17 Forecast	7.1%	8.0%				8.0%
2013			6.49%	7.48%	6.46%	6.3%
2014			6.77%	7.75%	8.59%	7.8%
FY13-14 Average	7.1%	8.0%				7.0%

It is evident from the analysis above that the return on investment achieved by Auckland Airport on its regulated activities over 2013 and 2014 continues to fall within the WACC range considered appropriate by the Commission.

Note, in relation to the Regulatory Investment Value disclosure per schedule 1b(ii) below, the Concrete runway and apron replacement commissioned project is shown to have a negative Proportion of Year Available. This relates to the fact that one of the 'assets commissioned' in FY14 and 'available' for the year was in fact a reversal of an over-capitalisation in FY13 (hence entered as a negative proportion of year). Because the other asset commissioned in FY14 was commissioned on 30 June 2014, its availability during the year was zero. Therefore the reversal of the prior period over-accrual dominates this line item.

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

	Regulated Airport	**Auckland International Airport Limited**
	For Year Ended	**30 June 2014**

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

57	RAB value - previous year	1,124,518
58	Debt leverage assumption (%)	17%
59	Cost of debt assumption (%)	5.09%
60	Notional deductible interest	9,730
61	Tax rate (%)	28.0%
62	Notional interest tax shield	2,725

1b(ii): Regulatory Investment Value

64	Regulatory asset base value - previous year	1,124,518

		Commissioned Projects	Assets Commissioned—RAB Value ($000)	Proportion of Year Available (%)	Proportionate Regulatory Value
66		Asphalt apron replacement	4,099	10%	416
67		Concrete runway and apron replacement	1,860	(9%)	(174)
68		ITB Airbridge refurbishment	5,170	66%	3,395
69		Short term capacity enhancements (DTB)	20,284	39%	7,960
70					–
71					–
72					–
73					–
74					–
75	*plus*	Other assets commissioned	17,760	50%	8,880
76	*plus*	Adjustment for merger, acquisition or sale activity	–		–
77	*less*	Asset disposals	(0)	50%	(0)
78		RAB investment	49,175		
79		RAB proportionate investment			20,479
80					
81		Regulatory investment value			1,144,997
82					

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

Version 2.0

2a: Regulatory Profit

			($000)
Income			
	Airfield	87,607	
	Passenger Services Charge	131,552	
	Lease, rental and concession income	26,061	
	Other operating revenue	2,770	
	Net operating revenue		247,990
	Gains / (losses) on sale of assets	13	
	Other income		
	Total regulatory income		248,003
Expenses			
	Operational expenditure:		
	Corporate overheads	30,887	
	Asset management and airport operations	22,493	
	Asset maintenance	32,685	
	Total operational expenditure		86,065
Operating surplus / (deficit)			161,938
	Regulatory depreciation		43,994
plus	Indexed revaluation	18,148	
plus	Non-indexed revaluation	–	
	Total revaluations		18,148
Regulatory Profit / (Loss) before tax & allowance for long term credit spread			136,092
less	Allowance for long term credit spread		96
Regulatory Profit / (Loss) before tax			135,996
less	Regulatory tax allowance		34,869
Regulatory Profit / (Loss)			101,128

Commentary on Regulatory Profit

Page 3

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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					968,228	1,585	224	(1,050)
for detailed breakdown of Qualifying Debt and								
Allowance for Long Term Credit Spread calcs.								
						1,585	224	(1,050)

	759
Attribution Rate (%)	12.59%
Allowance for long term credit spread	96

2b(ii): Financial Incentives

		($000)
Pricing incentives	106	
Other incentives	8,263	
Total financial incentives		8,369

2b(iii): Rates and Levy Costs

	($000)
Rates and levy costs	2,615

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 2014 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
1,585,274	223,516	(1,049,970)	12.59%	95,544

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?		
2-Nov-09	0.00150	125,000,000	187,500	5.1 yrs	1.0		Bonds
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-Oct-08	0.00150	129,992,000	194,988	8.1 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	0.00150	150,000,000	225,000	3.0 yrs	0.0		Bonds
28-May-14	0.00150	150,000,000	225,000	7.0 yrs	1.0		Bonds
26-Oct-11	0.00150	77,000,000	115,500	3.3 yrs	0.0		Commercial Paper
14-Nov-11	0.00150	5,000,000	7,500	4.3 yrs	0.0		Commercial Paper
26-Oct-11	0.00150	-	-	3.3 yrs	0.0		CBA Bank Facility
26-Oct-11	0.00150	43,052,416	64,579	3.3 yrs	0.0		CBA Bank Facility
14-Nov-11	0.00150	145,000,000	217,500	4.3 yrs	0.0		Bank of Tokyo Bank Facility
14-Sep-12	0.00150	43,052,416	64,579	5.0 yrs	1.0		BNZ Multicurrency Facility
14-Apr-14	0.00150	-	-	1.0 yrs	0.0		ANZ Bridge Facility
14-Apr-14	0.00150	130,000,000	195,000	1.0 yrs	0.0		CBA Bridge Facility
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
Total		968,228,459	1,585,274				
		1,518,280,875	*2,410,353*				

	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?	
2-Nov-09	27-Nov-14	125,000,000	7.0770%	5.6600%	7.0770%	5.6600%	-	5.1 yrs	1.0	Bonds
7-Nov-05	9-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-Oct-08	15-Nov-16	129,992,000	7.8802%	6.5200%	7.8284%	6.4950%	0.00027	8.1 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	4.9409%	4.3300%	5.5039%	4.6350%	- 0.00258	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
26-Oct-11	31-Jan-15	77,000,000	4.7107%	3.3800%	5.4329%	3.9150%	- 0.00187	3.3 yrs	0.0	Commercial Paper
14-Nov-11	10-Mar-16	5,000,000	4.8543%	3.3811%	5.2786%	3.6350%	- 0.00170	4.3 yrs	0.0	Commercial Paper
26-Oct-11	31-Jan-15	-	4.7107%	3.3800%	5.4329%	3.9150%	- 0.00187	3.3 yrs	0.0	CBA Bank Facility
26-Oct-11	31-Jan-15	43,052,416	4.7107%	3.3800%	5.4329%	3.9150%	- 0.00187	3.3 yrs	0.0	CBA Bank Facility
14-Nov-11	10-Mar-16	145,000,000	4.8543%	3.3811%	5.2786%	3.6350%	- 0.00170	4.3 yrs	0.0	Bank of Tokyo Bank Facility
14-Sep-12	14-Sep-17	43,052,416	5.0999%	3.2129%	5.0999%	3.2129%	-	5.0 yrs	1.0	BNZ Multicurrency Facility
14-Apr-14	14-Apr-15	-	4.2680%	3.6350%	5.4246%	4.6150%	- 0.00177	1.0 yrs	0.0	ANZ Bridge Facility
14-Apr-14	14-Apr-15	130,000,000	4.2680%	3.6350%	5.4246%	4.6150%	- 0.00177	1.0 yrs	0.0	CBA Bridge Facility
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
Total		968,228,459								
		1,518,280,875								

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?	
2-Nov-09	27-Nov-14	125,000,000	0.0398%	49,733	5.1 yrs	1.0	Bonds
7-Nov-05	9-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-Oct-08	15-Nov-16	129,992,000	0.0076%	9,878	8.1 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	0.0380%	57,006	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
26-Oct-11	31-Jan-15	77,000,000	0.0149%	11,505	3.3 yrs	0.0	Commercial Paper
14-Nov-11	10-Mar-16	5,000,000	0.0106%	532	4.3 yrs	0.0	Commercial Paper
26-Oct-11	31-Jan-15	-	0.0149%	-	3.3 yrs	0.0	CBA Bank Facility
26-Oct-11	31-Jan-15	43,052,416	0.0149%	6,433	3.3 yrs	0.0	CBA Bank Facility
14-Nov-11	10-Mar-16	145,000,000	0.0106%	15,435	4.3 yrs	0.0	Bank of Tokyo Bank Facility
14-Sep-12	14-Sep-17	43,052,416	0.0191%	8,239	5.0 yrs	1.0	BNZ Multicurrency Facility
14-Apr-14	14-Apr-15	-	-0.0018%	-	1.0 yrs	0.0	ANZ Bridge Facility
14-Apr-14	14-Apr-15	130,000,000	-0.0018%	(2,281)	1.0 yrs	0.0	CBA Bridge Facility
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
Total		968,228,459		223,516			
		1,518,280,875		*312,147*			

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			
2-Nov-09	27-Nov-14	5.07	125,000,000	(6,145)	5.1 yrs	1.0	Bonds
7-Nov-05	9-Nov-15	10.01	100,000,000	(175,192)	10.0 yrs	1.0	Bonds
10-Aug-09	10-Aug-16	7.01	25,000,000	(25,049)	7.0 yrs	1.0	Bonds
15-Oct-08	15-Nov-16	8.09	129,992,000	(173,792)	8.1 yrs	1.0	Bonds
17-Oct-11	17-Oct-17	6.01	100,000,000	(58,599)	6.0 yrs	1.0	Bonds
13-Dec-12	13-Dec-19	7.00	100,000,000	(100,098)	7.0 yrs	1.0	Bonds
11-Apr-14	11-Apr-17	3.00	150,000,000	349,202	3.0 yrs	0.0	Bonds
28-May-14	28-May-21	7.01	150,000,000	(150,293)	7.0 yrs	1.0	Bonds
26-Oct-11	31-Jan-15	3.27	77,000,000	142,769	3.3 yrs	0.0	Commercial Paper
14-Nov-11	10-Mar-16	4.32	5,000,000	2,739	4.3 yrs	0.0	Commercial Paper
26-Oct-11	31-Jan-15	3.27	-	-	3.3 yrs	0.0	CBA Bank Facility
26-Oct-11	31-Jan-15	3.27	43,052,416	79,826	3.3 yrs	0.0	CBA Bank Facility
14-Nov-11	10-Mar-16	4.32	145,000,000	79,438	4.3 yrs	0.0	Bank of Tokyo Bank Facility
14-Sep-12	14-Sep-17	5.00	43,052,416	(83)	5.0 yrs	1.0	BNZ Multicurrency Facility
14-Apr-14	14-Apr-15	1.00	-	-	1.0 yrs	0.0	ANZ Bridge Facility
14-Apr-14	14-Apr-15	1.00	130,000,000	1,820,000	1.0 yrs	0.0	CBA Bridge Facility
15-Feb-11	15-Feb-21	10.01	64,783,623	(113,464)	10.0 yrs	1.0	USPP
12-Jul-11	12-Jul-21	10.01	65,616,798	(114,924)	10.0 yrs	1.0	USPP
15-Feb-11	15-Feb-23	12.01	64,783,623	(132,331)	12.0 yrs	1.0	USPP
	Total		968,228,459	(1,049,970)			
			1,518,280,875				

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
1,124,518,549	17%	1,518,280,875	12.59%

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2014**

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref *Version 2.0*

3a: Regulatory Tax Allowance

ref					($000)
7		Regulatory profit / (loss) before tax			135,996
8					
9	*plus*	Regulatory depreciation	43,994		
10		Other permanent differences—not deductible	91	*	
11		Other temporary adjustments—current period	10,636	*	
12					54,721
13					
14	*less*	Total revaluations	18,148		
15		Tax depreciation	28,991		
16		Notional deductible interest	9,730		
17		Other permanent differences—non taxable	–	*	
18		Other temporary adjustments—prior period	9,318	*	
19					66,186
20					
21		Regulatory taxable income (loss)			124,531
22					
23	*less*	Tax losses used	–		
24		Net taxable income			124,531
25					
26		Statutory tax rate (%)	28.0%		
27		Regulatory tax allowance			34,869

** 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 ($7.5m) for employee leave, ACC, FBT, and staff incentives; and other accruals and provisions ($3.2m) 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 ($6.8m) and other accruals and provisions ($2.5m).

3b(ii): Tax Depreciation Roll-Forward

ref			($000)	
45		Opening RAB (Tax Value)	553,319	
46	*plus*	Regulatory tax asset value of additions	47,870	
47	*less*	Regulatory tax asset value of disposals	19	
48	*plus*	Regulatory tax asset value of assets transferred from/(to) unregulated asset base	(0)	
49	*less*	Tax depreciation	28,991	
50	*plus*	Other adjustments to the RAB tax value	(1,547)	
51		Closing RAB (tax value)		570,632

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	–	
58		Tax losses (regulated business)		–

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

Version 2.0

ref			Unallocated RAB * ($000)	Unallocated RAB * ($000)	RAB ($000)	RAB ($000)
8		**RAB value—previous disclosure year**		1,345,692		1,124,518
9	*less*					
10		**Regulatory depreciation**		55,286		43,994
11	*plus*					
12		Indexed revaluations	21,719		18,148	
13		Non-indexed revaluations	–		–	
14		**Total revaluations**		21,719		18,148
15	*plus*					
16		Assets commissioned (other than below)	52,613		49,175	
17		Assets acquired from a regulated supplier	–		–	
18		Assets acquired from a related party	–		–	
19		**Assets commissioned**		52,613		49,175
20	*less*					
21		Asset disposals (other)	0		(0)	
22		Asset disposals to a regulated supplier	–		–	
23		Asset disposals to a related party	–		–	
24		**Asset disposals**		0		(0)
25						
26	*plus*	**Lost and found assets adjustment**		(147)		–
27						
28		**Adjustment resulting from cost allocation**				(910)
29						
30		**RAB value †**		1,364,591		1,146,937

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 +$30k Allocated RAB movement resulting from asset splits is indeed recorded in that row together with a -$940k movement resulting from a change in allocation percentages. This results in the net -$910k 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".

Asset classes

The "Lost and found assets adjustment" in row 116 of Schedule 4b(vii): Asset Classes, contains equal and opposite entries to reclassify an asset previously incorrectly recorded in Infrastructure & Buildings to Sealed Surfaces. This asset was already included in Allocated RAB and the reclassification has no impact on Allocated RAB balance.

Assets held for future use

To correct for a formulaic error in the Commission's "Total" column of row 122 below in schedule 4b(viii): Assets Held for Future Use, positive "Tracking Revaluations" in assets held for future use must be entered as negative figures. The negative $8,517k figure shown in that row below reflects the positive tracking revaluation of $2,824k for 2014 (entered as a negative). It also corrects for the positive tracking revaluation of $1,199k in 2013 and $1,647k in 2012 that that were incorrectly entered as positives in the FY13 and FY12 disclosure accounts, respectively (corrected by subtracting twice the respective figures).

** 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	55,286	43,994
	Non-standard depreciation	–	–
	Regulatory depreciation	55,286	43,994

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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)			1,176
	CPI at CPI reference date—current year (index value)			1,195
	Revaluation rate (%)			1.62%
		Unallocated RAB		**RAB**
	RAB value—previous disclosure year	1,345,692		1,124,518
less	Revalued land	–	–	
less	Assets with nil physical asset life	1,386	1,283	
less	Asset disposals	0	(0)	
less	Lost asset adjustment	–	–	
	Indexed revaluation	21,719		18,148

4b(v): Works Under Construction

		Unallocated works under construction		Allocated works under construction	
	Works under construction—previous disclosure year		62,750		57,520
plus	Capital expenditure	59,895		52,947	
less	Asset commissioned	52,613		49,175	
less	Offsetting revenue	–		–	
plus	Adjustment resulting from cost allocation				14
	Works under construction		70,032		61,307

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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

ref *Version 2.0*

4b(vi): Capital Expenditure by Primary Purpose

ref				
105		Capacity growth	27,611	
106	*plus*	Asset replacement and renewal	25,336	
107		Total capital expenditure		52,947

4b(vii): Asset Classes

ref			Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
110		RAB value—previous disclosure year	358,559	232,389	523,111	10,460	1,124,518
111	*less*	Regulatory depreciation	20	10,433	29,566	3,974	43,994
112	*plus*	Indexed revaluations	5,793	3,592	8,598	165	18,148
113	*plus*	Non-indexed revaluations	–				–
114	*plus*	Assets commissioned	–	5,995	38,674	4,506	49,175
115	*less*	Asset disposals	–	–	–	(0)	(0)
116	*plus*	Lost and found assets adjustment	–	10,072	(10,072)	–	–
117	*plus*	Adjustment resulting from cost allocation	(102)	(4,683)	2,716	1,159	(910)
118		RAB value	364,229	236,932	533,460	12,316	1,146,937

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

4b(viii): Assets Held for Future Use

ref			Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total
121		Assets held for future use—previous disclosure year	170,557	65,752	(4,434)	(24,674)	216,068
122	*plus*	Assets held for future use—additions[1]	1	18,312	(951)	(8,517)	10,747
123	*less*	Transfer to works under construction	–	–	–	–	–
124	*less*	Assets held for future use—disposals	–	–	–	–	–
125		Assets held for future use[2]	170,558	84,063	(5,385)	(33,191)	226,815

[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.

126 *[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' .*

ref			
127		Highest rate of finance applied (%)	8.475%

128

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2014**

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

ref *Version 2.0*

5(i): Related Party Transactions

	($000)
Net operating revenue	–
Operational expenditure	4,294
Related party capital expenditure	76
Market value of asset disposals	–
Other related party transactions	7,740

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.
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	2,043
Auckland Council	Compliance, consent fees and other government regulatory obligations	N/A	107
City Park Services	Grounds maintenance for the regulated business	N/A	1,205
Watercare	Water, wastewater and compliance services for the regulated business	N/A	1,015
Key management personnel	Remuneration of directors	N/A	868
Key management personnel	Remuneration of the senior management team	N/A	6,839
Auckland International Airport Marae Ltd	Maintenance and occupancy costs for the regulated business	N/A	34

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 2014 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 2014 there were no transactions with the Airport Business.

Queenstown Airport is an associate entity of the company. During the year ended 30 June 2014 there were no transactions with the Airport Business.

Brick Bay Charitable Trust has Richard Didsbury, a director of Auckland International Airport, as a trustee. During the year ended 30 June 2014 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 2014 maintenance and occupancy costs of $0.034 million (2013: $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 2014. Rates of $2.043 million (2013: $2.054 million) and compliance, consent costs and other local government regulatory obligations of $0.107 million (2013: $0.173 million) were incurred for the year ended 30 June 2014 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 2014 grounds maintenance costs of $1.205 million (2013: $1.315 million) were incurred by the Airport Business. The ground maintenance contract consists of various work across the airport and the annual contract value is $1.644 million (2013: $1.869 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 2014 Watercare costs of $1.015 million (2013: $1.160 million) were incurred.

Further, on 28 October 2010 Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agrees 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 2014 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

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 2014, 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 For Year Ended: **Auckland International Airport Limited — 30 June 2014**

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	27,611	64,863	(57.4%)	56,725	113,228	(49.9%)
Asset replacement and renewal	25,336	17,910	41.5%	46,925	35,130	33.6%
Total capital expenditure	52,947	82,773	(36.0%)	103,650	148,358	(30.1%)
Corporate overheads	30,887	23,577	31.0%	63,451	48,043	32.1%
Asset management and airport operations	22,493	23,064	(2.5%)	43,043	45,064	(4.5%)
Asset maintenance	32,685	32,535	0.5%	64,935	63,438	2.4%
Total operational expenditure	86,065	79,176	8.7%	171,429	156,545	9.5%
Key Capital Expenditure Projects						
Short term capacity enhancements (DTB)	16,865	20,732	(18.7%)	24,400	31,870	(23.4%)
Baggage Reclaim Expansion (RECLAIM 1)	757	10,993	(93.1%)	757	11,214	(93.3%)
BHS feed expansion (or BHS 2)	–	–	Not defined	–	–	Not defined
Check in project	–	3,223	(100.0%)	–	3,775	(100.0%)
ITB Forecourt Reconfiguration (or FC3)	–	–	Not defined	–	–	Not defined
Landside ground floor capacity enhancement	–	–	Not defined	–	–	Not defined
New Stand 1	–	10,119	(100.0%)	–	10,119	(100.0%)
New Stand 2	–	–	Not defined	–	–	Not defined
Taxilane 1	–	11,244	(100.0%)	–	11,244	(100.0%)
Pier B ground boarding project (or PIERB 1)	–	–	Not defined	–	–	Not defined
Asphalt apron replacement	3,554	577	516.1%	4,099	1,129	263.1%
Concrete runway and apron replacement	1,900	6,922	(72.6%)	5,093	12,443	(59.1%)
ITB Airbridge refurbishment	3,727	1,615	130.7%	6,091	3,382	80.1%
Taxiway Lima	(202)	–	Not defined	14,836	21,534	(31.1%)
Other capital expenditure	26,346	17,347	51.9%	48,372	41,647	16.1%
Total capital expenditure	52,947	82,773	(36.0%)	103,650	148,358	(30.1%)

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’ $0.6 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 costs were $6.9m (+8.7%) more than pricing forecasts for the year ended 30 June 2014 (2013: $8.0m, +10.3%). This increase fell within the Corporate Overhead (+$7.3m) and Asset Maintenance ($0.2m) cost categories with savings in Asset Management & Operations (-$0.5m).

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

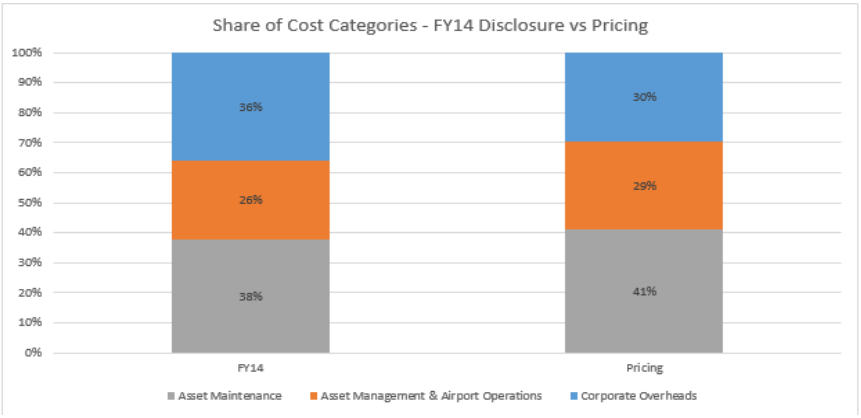
a) Contractual commitments on Long Term Incentives relating to share price appreciation;

b) Investment in marketing and promotions above pricing forecasts (as intended). Marketing and promotions forecasts under pricing 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 1.9% higher in the year ended 30 June 2014. This was led by a 3.8% increase in domestic passengers and a 1.3% increase in international passengers. 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	Annual Variance	FY14 Variance Explanation
Personnel Costs	$3.8m	Personnel costs were $3.8m more than pricing in FY14. The variance was driven by a $5.6m increase in personnel cost within the Corporate Overheads cost category predominantly due to the contractual revaluation of the Long Term Incentive plan based on the increase in the company's share price in 2014. This was partly offset by personnel cost savings of $1.5m in Asset Management and Operations and $0.2m in Asset Maintenance.
Marketing, Promotions & PR	$3.6m	Marketing, Promotions and PR costs were $3.6m more than pricing in 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.
Consultancy, Audit & Legal	-$0.04m	Consultancy, Audit & Legal costs were in line with pricing in FY14. Asset Management and Operations consultancy costs were $1.4m higher than pricing due in part to costs attributable to the SMART Approaches Trial noise monitoring and draft 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 $1.25m in Corporate Overheads and $0.2m in Asset Maintenance.

Repairs & Maintenance	$0.6m	Repairs & Maintenance (R&M) costs were $0.6m more than pricing in FY14. R&M costs fall mostly within the Asset Maintenance cost category. There were no single items that were the main driver of the variance.
Other	-$1.1m	Other costs were $1.1m less than pricing in FY14, with higher Asset Maintenance costs for Management Fees +$0.6m and Cleaning costs +$0.4m mostly offset by savings in Utilities -$0.4m, including savings from Terminal lighting and cooling efficiency projects, and Telecommunications -$0.3m. Corporate Overheads Shareholder Expenses were -$0.3m lower than pricing forecast and Other Expenses were -$0.9m lower than pricing in FY14 and this was delivered across each of the cost categories.
Total Variance	**$6.9m**	



Capital Expenditure

As set out at the time of pricing, capital expenditure planning is set within the context of the longer term Masterplan.

A Masterplan review was commenced in July 2012 and was published in March 2014. At the time of the pricing, Auckland Airport was in discussion with our substantial airline customers around the new domestic terminal facility. During these discussions a principal customer proposed a southern alternative for a new terminal. Once it became evident that there was a prospect of a change to critical Masterplanning assumptions, the capital plan set out in Schedule 18 of the Price Setting Disclosure was reviewed. During the time it has taken to consider that alternative as part of the latest Auckland Airport Masterplan, Auckland Airport has taken a conservative approach in executing planned capital spend by not commencing works that would be impacted by the location of expanded terminal facilities. The conclusion of the Masterplan aligns with a future integrated terminal with the new domestic facility in a southern location.

The BARNZ Cost and Regulatory Committee ("BARNZ C&R") has been involved in discussions on the appropriateness of deferral and repurposing of some capital expenditure following the conclusion of the Masterplan. Rather than commit to material capital expenditure in an uncertain environment, Auckland Airport considered it was optimal to delay the start of some projects such as baggage reclaim and check in projects, until there was certainty of the location of future domestic expansion.

As part of this process, Auckland Airport commented that the FY14 capital spend would be lower than originally anticipated.

Auckland Airport also sought input from the BARNZ C&R committee on priorities for their respective businesses and requested input on ideas for operational improvements through capital investment. Explanation was provided and feedback sought on: FY13 capital variations to forecast, up to date views of facility performance and the plan for FY14 capital expenditure. It was proposed to continue / commence the:

- DTB Short Term Capacity Upgrade
- Check-in Project
- ITB Baggage Reclaim 1 as part of the overall International Arrivals product
- Asphalt Apron Replacement Programme
- Concrete Runway & Apron Replacement Programme
- ITB Airbridge Replacement Programme
- Other Capital Expenditure Programme

The BARNZ C&R was asked to consider whether New Stand 1 and Taxilane 1 remained efficient expenditure given these would provide maximum efficiency if the ultimate development included a northern domestic facility. In light of the outcomes of the revised Masterplan it was agreed not to proceed with these projects.

It is recognised that the circumstances have resulted in:
- a delay to the originally intended timing of some projects
- a need to introduce operating cost solutions over capital solutions in some instances
- more asset replacement, renewal assets and minor capital expenditure than originally forecast in pricing
- FY14 capital expenditure that was $29.8m, 36% less than forecast at the time of pricing.

The company remains committed to providing transparency in its planning and to investing optimally. Auckland Airport will continue to work with the BARNZ C&R to review the five year aeronautical investment plan to better align with the outcomes of the latest Masterplan and to align with the immediate needs of the facilities and infrastructure in line with airline and airport requirements for domestic and international growth, repurposing proposed investment where it is appropriate to do so.

Key Capital Project	FY14 Variance	Commentary
Short term capacity enhancements (DTB)	(3,867)	The DTB capacity enhancement project was substantially completed in FY14. Through value engineering and optimisation of the facility, we currently estimate this project to be less than originally priced, whilst some potential cost risks remain in FY15. Auckland Airport continues to work collaboratively with the airlines to finalise the domestic market requirements prior to construction of the new domestic facility.

Baggage Reclaim Expansion (RECLAIM 1)	(10,236)	The commencement of this project was delayed by the Masterplanning process. The repurposed capital plan has reallocated the FY14 underspend to FY15. Works are now underway for the delivery of the next code F compliant reclaim belt prior to the FY15 summer peak. A further code F compliant reclaim belt is now scheduled to meet the FY16 summer peak. Whilst this additional baggage reclaim belt was not envisaged as part of this pricing period, in consultation with our airline customers, we have agreed to bring this further spend forward whilst accommodating this within our 5 year priced capital commitment.
Check in project	(3,223)	The check in project was delayed until the 30 year vision outcome was known. The scope of a feasibility study has been agreed in principle with BARNZ to examine both a total common user check in solution, or a common use bag drop only.
New Stand 1	(10,119)	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 higher priorities.
Taxilane 1	(11,244)	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.
Asphalt apron replacement	2,977	In order to enhance capital efficiency and minimise operational impact, we are now planning for the asphalt apron Replacement & Concrete Runway and Apron Replacement programmes in tandem. The Micro paver system adopted in FY13 resulted in recommended changes to the plan. While the spend in FY13 and FY14 has been below forecast, the spend over FY15 – FY17 is expected to increase above the schedule 18 forecast and total spend is expected to remain consistent with the overall stated schedule 18 spend for the five year pricing period.
Concrete runway and apron replacement	(5,022)	
ITB Airbridge refurbishment	2,112	The overspend relates to the completion of dual boarding facilities on gate 10.
Taxiway Lima	(202)	As forecast there was no expenditure on Taxiway Lima in FY14. The project cost adjustment reflects the reversal of a prior period over-accrual.
Other capital expenditure	8,999	There were a number of unforeseen minor capital projects in FY14. The fire rescue fleet replacement was accelerated. It was originally budgeted to occur between FY15 and FY17. This has enabled Auckland Airport to move to a cat 10 emergency status better equipped to manage wide body aircraft safety requirements. The pier A gate lounge was altered re-orienting the vertical circulation between level 1 and 2 and adding gate lounge space. In turn, this has enabled the replacement of inadequate lift at the end of its life, with the provision of a new lift also sufficient for reduced mobility passengers. This initiative was not anticipated at the time of pricing, but was identified as part of the Faster Higher Stronger strategy and supported by the airlines. The emergency marine fleet was reviewed following an incident. The review resulted in the purchase of a replacement hovercraft and a new jet powered catamaran. This was not factored into pricing.
Total capital expenditure	(29,826)	

** Disclosure year coincides with Pricing Period Starting Year + 1.*

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2014

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

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

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

	Pricing Period Starting Year	Pricing Period Starting Year + 1	Pricing Period Starting Year + 2	Pricing Period Starting Year + 3	Pricing Period Starting Year + 4
Key Capital Expenditure Projects					
for year ended	**30 Jun 13**	**30 Jun 14**	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**
Short term capacity enhancements (DTB)	11,138	20,732	12	–	–
Baggage Reclaim Expansion (RECLAIM 1)	221	10,993	–	–	–
BHS feed expansion (or BHS 2)	–	–	6,028	6,343	–
Check in project	552	3,223	3,375	–	–
ITB Forecourt Reconfiguration (or FC3)	–	–	–	4,702	9,712
Landside ground floor capacity enhancement	–	–	–	2,425	13,674
New Stand 1	–	10,119	–	–	–
New Stand 2	–	–	11,750	–	–
Taxilane 1	–	11,244	–	–	–
Pier B ground boarding project (or PIERB 1)	–	–	15,275	–	–
Asphalt apron replacement	552	577	2,411	627	326
Concrete runway and apron replacement	5,520	6,922	3,617	6,269	6,520
ITB Airbridge refurbishment	1,767	1,615	965	502	391
Taxiway Lima	21,534	–	–	–	–
Other capital expenditure	24,300	17,347	12,946	16,025	17,497
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 2014**

SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref *Version 2.0*

($000)

	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*
Airfield	–	87,607	–	87,607
Passenger Services Charge	131,552	–	–	131,552
				–
				–
Lease, rental and concession income	14,183	1,311	10,567	26,061
Other operating revenue	1,013	622	1,135	2,770
Net operating revenue	146,748	89,540	11,702	247,990
Gains / (losses) on asset sales	9	4	0	13
Other income				–
Total regulatory income	146,757	89,544	11,702	248,003
Total operational expenditure	59,591	23,327	3,146	86,065
Regulatory depreciation	27,634	15,000	1,360	43,994
Total revaluations	6,712	10,465	970	18,148
Allowance for long term credit spread	36	54	5	96
Regulatory tax allowance	18,355	14,558	1,956	34,869
Regulatory profit/ loss	47,852	47,070	6,205	101,128
Regulatory investment value	432,944	649,601	62,452	1,144,997

** 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 2014 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 commentary to schedule 1 provides Auckland Airport's assessment of the weighted average FY14 post tax ROI for the entire airport business versus WACC. As discussed in that commentary, unfortunately the Commission's prescribed ROI methodology for information disclosure reporting delivers higher reported ROI figures than the forecast returns used to set aeronautical prices for FY13-17 because of the moratorium on asset revaluations for pricing purposes requested by airlines and their representatives and agreed by Auckland Airport.

The estimated distribution of Auckland Airport's average annual post-tax FY14 ROI of 8.6% (7.8% excluding revaluations) across the regulated segments is as follows: 10.8% (10.0%) Passenger Terminal, 7.0% (6.1%) Airfield and 9.7% (9.4%) 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 these two 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 For Year Ended: **Auckland International Airport Limited — 30 June 2014**

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	248,003	–	248,003	225,764	473,767
Total operational expenditure	86,065	–	86,065	28,965	115,030
Operating surplus / (deficit) before interest, depreciation, revaluations and tax	161,938	–	161,938	196,798	358,737
Depreciation	43,994	4,627	48,620	14,921	63,541
Revaluations	18,148	(17,773)	374	45,660	46,034
Tax expense	34,869	(3,114)	31,755	54,302	86,057
Net operating surplus / (deficit) before interest	101,223	(19,286)	81,938	173,235	255,173
Property plant and equipment	1,146,937	753,254	1,900,191	1,861,358	3,761,549

8b: NOTES TO CONSOLIDATION STATEMENT

8b(i): REGULATORY / GAAP ADJUSTMENTS

($000)

Description of Regulatory / GAAP Adjustment	Affected Line Item	Regulatory / GAAP Adjustments *
Differences arise from the requirement under GAAP to depreciate assets from their commissioning dates, but the Input Methodologies does not provide for new assets to be depreciated in the year they are commissioned. A further difference in depreciation is attributed to the CPI revaluation roll forward from 2009 and the capitalised WACC interest adjustment increasing the depreciable values. For financial reporting (GAAP) purposes a revaluation was carried out at 30 June 2011 which increased asset values and as a result increased depreciation for non-land assets in subsequent years.	Depreciation	4,627
Difference between fair value valuations on all assets based on the existing use of the assets for financial reporting purposes and the market value alternative use valuation on land assets and the CPI indexed valuation on non-land assets. For financial reporting (GAAP) purposes, land assets within the property, plant and equipment portfolio were revalued at 30 June 2014.	Revaluations	(17,773)
The regulatory/GAAP adjustment includes the removal of deferred tax in the tax expense calculation and instead using a tax payable approach per the Input Methologies determination. The adjustment also includes the tax effect of the notional interest deduction, which is not claimed in the the GAAP tax calculation.	Tax expense	(3,114)
Difference between fair value valuations on all assets based on their existing use for financial reporting purposes and the market value alternative use valuation on land assets and the CPI valuation on non-land assets. Also difference relating to the depreciation based on the CPI roll forward and the capitalised WACC interest adjustment and no depreciation in the year of commissioning under the input methodologies. Also difference relating to Future Use assets which are excluded from "Airport Businesses" but included in "Airport Businesses - GAAP" column.	Property plant & equipment	753,254
	[Select one]	
	[Select one]	
	[Select one]	

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

Commentary on the Consolidation Statement

Depreciation

A part of the difference in depreciation in FY14 is due to a requirement under GAAP to depreciate assets from their commissioning date resulting in depreciation for part years of new assets. The Input Methodologies does not provide for new assets to be depreciated in the year they are commissioned resulting in higher GAAP depreciation than regulatory depreciation for those assets. Another major factor in the difference relates to the revaluation for financial reporting purposes at 30 June 2011. The revaluation increased the value of non-land assets and therefore the higher values increased the depreciation expense for financial reporting (GAAP) purposes in 2014.

A partially offsetting difference relates to the CPI roll forward increasing the value of the regulatory fixed assets from the 2009 initial RAB value. Also, where permitted under GAAP, commissioned assets now include capitalised WACC rather than capitalised interest consistent with allowances under the Input Methodologies determination. This increases the value of the regulatory fixed assets commissioned and therefore the regulatory depreciation.

Revaluations

The valuations for the Airport Company - GAAP include the revaluation movements on investment property ($41.974m increase). Land assets within the property, plant and equipment portfolio were revalued at 30 June 2014. This resulted in an increase of $738.899m of which $4.060m was recognised in the income statement. The portion of the land revaluation attributed to the Airport Business - GAAP was $0.374m in the income statement.

The valuation approach to determining 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. If there is market based evidence the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value.

The revaluations for the Airport businesses consist of a CPI roll-forward as at 30 June 2014 consistent with the Input Methodologies determination.

Tax Expense

The tax expense for the Airport Company-GAAP includes the impact of deferred tax changes in the underlying asset and liability values for financial reporting. The increase in deferred tax results from the increase in the accounting carrying value which increases the taxable temporary differences as the taxable carrying values do not change. The Input Methodologies do not recognise deferred tax movements and instead a tax payable approach is adopted for the Airport businesses.

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

As noted above the GAAP values for property, plant and equipment are carried at fair value. The 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. Also a difference relating to Future Use assets which are excluded from "Airport Businesses" but included in "Airport Businesses - GAAP" column. The final differences relate to depreciation differences noted above.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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	204	312,513	25,166	337,883		337,883
Assets not directly attributable	20,724	5,080	543	26,347	10,756	37,103
Total value land				364,229		
Sealed Surfaces						
Directly attributable assets	–	236,932	–	236,932		236,932
Assets not directly attributable	–	–	–	–	–	–
Total value sealed surfaces				236,932		
Infrastructure and Buildings						
Directly attributable assets	62,554	46,790	33,324	142,669		142,669
Assets not directly attributable	339,081	46,579	5,130	390,791	202,364	593,155
Total value infrastructure and buildings				533,460		
Vehicles, Plant and Equipment						
Directly attributable assets	1,689	1,376	–	3,065		3,065
Assets not directly attributable	6,566	2,471	215	9,251	4,534	13,784
Total value vehicles, plant and equipment				12,316		
Total directly attributable assets	64,446	597,611	58,490	720,548		720,548
Total assets not directly attributable	366,370	54,131	5,888	426,389	217,654	644,042
Total assets	430,817	651,742	64,378	1,146,937	217,654	1,364,591

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 evolving 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

36	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
37	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
38	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
39	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
40	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
41	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
42	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
43	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
44	Plant & Equipment:	Internal R&M Analysis	Proxy Cost Allocator	In the same way as Plant & Equipment - Motor Vehicles internal R&M analysis above.	Plant
45	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
46	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

47

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2014**

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		
			CY-1 **30 Jun 13**	**Current Year (CY)** **30 Jun 14**	**CY+1** **30 Jun 15**
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 FY14 to the rules use to allocate assets. But, as usual, some of the percentage allocations have changed after updating the rules with FY14 data. The -$910k adjustment to Allocated RAB resulting from cost allocation shown in schedule 4 resulted from asset splits and changes in allocation percentages.

Please also note that we have updated cells F39 and F40 in the Asset Allocators table in section 9a. This is not a change in the allocation methodology - the approach behind the allocation of the wastewater and water networks outside buildings remains the same. The update is rather a correction of the name of the Allocator from Space (most likely an inherited copy paste error) to Charged Usage, which is consistent with the allocation methodology, as described in the respective Rationale.

Regulated Airport For Year Ended: **Auckland International Airport Limited** — **30 June 2014**

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	18,792	11,356	737	30,886	10,037	40,922
Asset Management and Airport Operations						
Directly attributable operating costs	6,772	3,382	595	10,749		10,749
Costs not directly attributable	6,804	3,908	1,032	11,744	13,389	25,133
Asset Maintenance						
Directly attributable operating costs	23,602	2,521	570	26,693		26,693
Costs not directly attributable	3,619	2,160	213	5,992	5,539	11,531
Total directly attributable costs	30,376	5,902	1,165	37,443		37,443
Total costs not directly attributable	29,216	17,425	1,981	48,622	28,965	77,587
Total operating costs	59,591	23,327	3,146	86,065	28,965	115,030

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.
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.
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.
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 2014**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

Version 2.0

Cost Allocators (cont)

Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
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.
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.
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
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.
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.
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.
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.
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.
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.
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.
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.
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.
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.
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.
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.
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.
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.
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.
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	Aeronautical revenues 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	Aeronautical revenues split	Proxy Cost Allocator	Costs associated with all aeronautical activities	All costs lines within the AIRPORT DEVELOPMENT & DELIVERY 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 2014**

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 30 Jun 13	Current Year (CY) 30 Jun 14	CY+1 30 Jun 15
Operating cost category	Asset Management & Airport Operations				
Original allocator or components	Future Use	Original	–	–	–
New allocator or components	Aeronautical revenues split	New	374	401	797
Rationale	Previously costs in the AIRPORT DEVELOPMENT & DELIVERY business unit were allocated 100% to Future Use. For FY14, the allocation methodology was changed to the Aeronautical Revenue Split rule to give a more stable and accurate allocation of costs incurred by this business unit over the long-term. The activites undertaken by this business unit were longer term masterplanning in the prior year. These planning activites become current from FY14, and into future years, as we move ahead with terminal development projects and plans.	Difference	(374)	(401)	(797)
Operating cost category	Asset Management & Airport Operations				
Original allocator or components	N/A	Original	–	–	–
New allocator or components	Terminal - Direct	New	–	22	–
Rationale	A new business unit was established on a trial basis for FY14 providing meet and assist services to VIP passengers within the security area of the international terminal building. This required a new allocation rule. No impact shown for prior year as costs not previously incurred. No impact shown for future year as currently envisaged as a trial and costs not included in future year budget.	Difference	–	(22)	–
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 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 of 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.

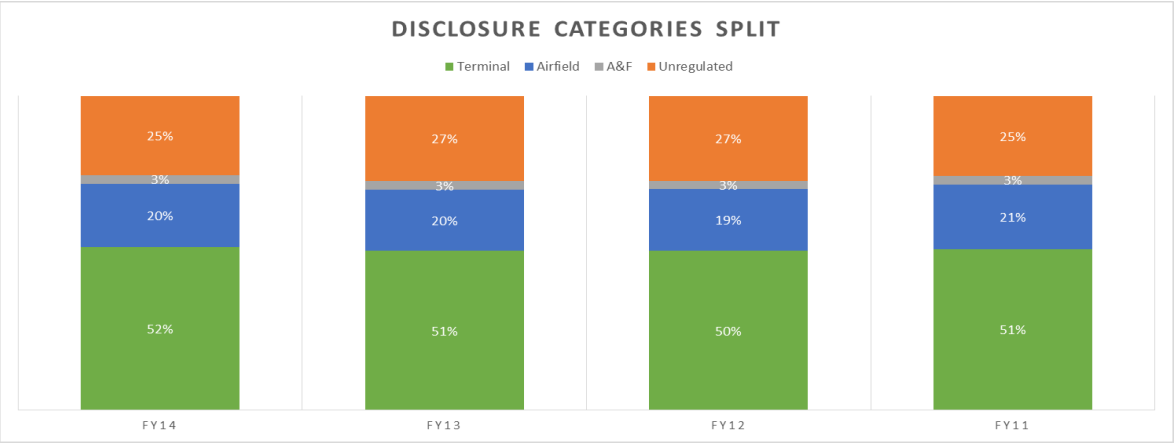
8. Engineering and support services costs are allocated across regulated and non-regulated activities based on a two-step process:

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 FY14. Overall operating expenditure allocated to regulated categories rose slightly to 75% from 73% for the last two financial years, but is in line with 75% in FY11. The allocation of operating expenditure between regulated and non-regulated activities for the last four financial years is summarised graphically below:



Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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	1	–	15
9	Airlines/Other	–	–	–
10	Undetermined reasons	–	–	–
11	Total	1	–	15
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	20	37	25
27	Airlines/Other	11	26	49
28	Undetermined reasons	–	–	–
29	Total	31	64	14
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	2	7	34
33	Airlines/Other	–	–	–
34	Undetermined reasons	–	–	–
35	Total	2	7	34
36	**Baggage reclaim belts**			
37	The number and duration of interruptions to baggage reclaim belts during disclosure year by party primarily responsible			
38	Airports	2	8	–
39	Airlines/Other	–	–	–
40	Undetermined reasons	–	–	–
41	Total	2	8	–
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	7	6	39
45	Airlines/Other	6	6	13
46	Undetermined reasons	–	–	–
47	Total	13	12	52
48				

Regulated Airport	Auckland International Airport Limited
For Year Ended	30 June 2014

Version 2.0

Fixed electrical ground power availability (if applicable)

The percentage of time that FEGP is unavailable due to interruptions*	2.76%

** 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 61% improvement in the total number of interruptions to material services that occurred in FY14. The number of interruptions reduced from 93 for the year ended 2013 to 36 in the year ended 2014. Given that FY14 featured more than 153,000 aircraft movements, Auckland Airport regards this as excellent operational performance.

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 way to view this information is to consider the proportion of the time that the material service is available. For the disclosure year ended 2014, 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%
Contact stands and air-bridges	99.3%
Baggage sortation system on departures	99.9%
Baggage reclaim belts	99.9%

Under the definition of an interruption to the supply of a material airport service that is provided in Appendix C of the Commerce Commission's Information Disclosure (Airport Services) Reasons Paper, one of the conditions for an interruption to have occurred is that a flight must be on-schedule were it not for an interruption to a material service. In previous years, Auckland Airport did not have the ability to easily determine whether an interruption related to an on-schedule or off-schedule flight. Auckland Airport therefore reported all material interruptions, including those relating to off-schedule flights. In keeping with a philosophy of continuous improvement, Auckland Airport is committed to improving its processes over time. Improvements to the fault management system and the Aeronautical Operating System (AOS) now allows Auckland Airport to identify whether a flight impacted by an interruption was on-schedule or off-schedule. In accordance with the definition in Appendix C, Auckland Airport now only reports interruptions related to off-schedule flights.

Runway and Taxiway Performance

In FY14 there was one very short runway interruption due to a maintenance over-run. This occurred because some residue was found on the runway during a routine inspection and the runway was temporarily closed while this was removed.

Contact Stand and Air-bridge Performance

Over the year interruptions to contact stands and air-bridges reduced significantly, falling from 69 in FY13 to 31 in FY14.

Improvements to the fault management system and AOS have improved the accuracy of Auckland Airport's reporting of air-bridge interruptions. Auckland Airport's fault management system captures the interruption duration from the time the fault first occurred until the time it was resolved. The system also identifies whether an equivalent service was provided. According to the definition of an interruption in Appendix C, if an equivalent service is provided, then an interruption has not occurred. On some occasions, the fault management system has recorded the total time that the asset was out of use when there were periods during the outage that equivalent services were provided. This issue has had a particular impact on air-bridge fault data. Auckland Airport has a number of air-bridges, meaning that if one air-bridge cannot be used, another air-bridge can easily be substituted. In this case, airlines are provided with an equivalent service. However, if all air-bridges are in use, then an airline would not have received an equivalent service. To account for this, when an outage first occurs, Auckland Airport assesses whether an alternate air-bridge was available. Upgrades to the AOS in 2014 now make it easier for management to gauge when alternate air-bridges were available, improving reporting accuracy. However, Auckland Airport is still erring on the side of conservatism. If an alternate air-bridge was not available when the outage first occurred, the entire outage time is recorded as the interruption time. By taking this approach, Auckland Airport considers that it is likely to be over-reporting air-bridge interruption times. This is because there are likely instances when alternate air-bridges become available sometime during the outage duration, even if one was not available when the outage first occurred.

Notwithstanding the high availability of air-bridges, Auckland Airport is working through an air-bridge refurbishment and replacement programme. This programme will ensure required levels of services are maintained and in some cases enhanced for those air-bridges that are nearing the end their economic and useful life. This programme is expected to continue until FY18. Auckland Airport has also made enhancements to the way that air-bridges are maintained, through the increased use of non-destructive methods of condition assessment. Root cause analysis of failures identified the need for more regular condition assessments to prevent air-bridge outages and to ensure that Auckland Airport continues to deliver high quality services to its customers. The use of non-destructive techniques has a number of benefits:

- It is quicker than invasive methods, allowing for more regular testing
- Potential problems can be identified before they occur
- Problems are identified which otherwise would not be identified without destroying the asset
- More effective than invasive techniques, as invasive techniques increase the chance of outages caused by human error in reassembling assets.

Taxiways

There were no interruptions relating to taxiways in FY14.

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. More information on asphalt strengthening and non-destructive condition assessments can be found in the discussion of operational improvement in schedule 15.

Baggage Sortation

There were just two interruptions to the baggage sortation system in FY14, down from 22 in FY13. Improvements to the fault management system and processes have also improved the accuracy of reporting.

Baggage Reclaim

The baggage reclaim system was impacted by two interruptions 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.

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 FY14 declined from FY13. This is largely due to three very long outages, caused by our suppliers not having sufficient stock of the required parts. Subsequently, Auckland Airport has worked with suppliers to ensure that they are holding sufficient stock of key parts to prevent such long outages in the future.

In FY13, Auckland Airport began a programme installing scissor supports to assist the use of FEGPs for all aircraft. This initiative was continued in FY14 and has proved successful in improving the health and safety of ground handlers and reducing the time taken to deploy FEGPs.

During the year, Auckland Airport also worked with Air New Zealand to support the introduction of the new 787-900 series of aircraft. The existing FEGPs were not able to handle the increased electrical demands of the 787-900s. Auckland Airport has identified new units which can be installed in the FEGPs to allow them to be used with these planes. One unit was installed in FY14 and four others will be upgraded over FY15. The remaining units will be upgraded once the existing units fail, balancing cost and the need for increased flexibility as more 787-900s are introduced. Further detail is available in schedule 15.

[1]The single short term interruption to the runway availability disclosed in schedule 11 was not of sufficient duration to reduce the total availability below 100.0% to one decimal place.

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 2014**

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	27 February 2014
Runway busy hour start time (day/month/year hour)	29 Jun 2014 5 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	128	–	1	129
	Domestic jet	108	18	–	126
	Domestic turboprop	–	201	–	201
	Total	236	219	1	456
Other (including General Aviation)					20
Total aircraft movements during the runway busy day					476

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

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

The reported runway description in these disclosures is consistent with the description that Auckland Airport also reports in the 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 66 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.

Auckland Airport is continually working with its stakeholders to assess ways to increase its airport runway capacity and efficiency. While the number of aircraft movements have remained relatively steady over the last few years, there has been a marked increase in the size of aircraft that need to be managed at both the International and Domestic terminals. An Airfield Capacity Enhancement Steering Group has been established to explore various initiatives that can be implemented to increase the potential capacity of the runway. The group meets quarterly and is made up of representatives from Auckland Airport, Airways, the Air Traffic Service provider, and the airlines. Initiatives are prioritised by considering the cost of implementation and the expected effectiveness of the changes. Working groups have been established to focus on low cost and easy to implement opportunities. These include initiatives such as reducing Runway Occupancy Time (ROT), and reducing aircraft separation under certain conditions. Airways are currently prioritising minimising airline fuel burn, reducing the focus on capacity enhancement. This focus will need to be continually reassessed as traffic increases in order to optimise the trade-off between fuel cost savings and investment in runway capacity.

Airways, in conjunction with Auckland Airport and the airlines, has tested three new flight approaches into Auckland known as SMART approaches. The SMART approaches trial utilised satellite based navigation enabling shorter, more efficient, curved landing approaches. The global move towards satellite based navigation technology is an initiative embraced by the International Civil Aviation Organisation and is also in line with New Zealand's National Airspace Policy. The trial found SMART approaches reduced flight times and led to a significant reduction in fuel burn and carbon emissions. These approaches enable aircraft to fly very strict procedures, by way of very specific profiles, which enable the airlines to ensure their fuel burn is minimised to the greatest extent possible. These procedure changes can, at times, solicit critical community feedback which requires measured consultation and consideration. Addressing community concerns can have a detrimental effect on capacity.

The opening of taxiway Lima in July 2013 has been successful in reducing congestion and delays. It has reduced ground holding for aircraft proceeding to and from the international terminal and improved the traffic flow during busy periods by enabling a circular flow of traffic to and from the terminal. Taxiway Lima has also allowed for the more efficient management of aircraft in low visibility operations, by providing separate entry and exit points for aircraft to and from the international apron area.

	Regulated Airport	**Auckland International Airport Limited**
	For Year Ended	**30 June 2014**

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)	27 Sep 2013 5 p.m.	18 Feb 2014 8 a.m.	N/A
	Floor space (m^2)	5,460	1,636	N/A
	Passenger throughput during the passenger busy hour (passengers/hour)	1,676	1,191	N/A
	Utilisation (busy hour passengers per $100m^2$)	31	73	N/A
	Check-in			
	Passenger busy hour for check-in—start time (day/month/year hour)	27 Sep 2013 5 p.m.	18 Feb 2014 8 a.m.	N/A
	Floor space (m^2)	4,602	847	N/A
	Passenger throughput during the passenger busy hour (passengers/hour)	1,676	1,191	N/A
	Utilisation (busy hour passengers per $100m^2$)	36	141	N/A
	Baggage (outbound)			
	Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	27 Sep 2013 5 p.m.	18 Feb 2014 8 a.m.	N/A
	Make-up area floor space (m^2)	8,457	2,858	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)*	1,589	917	N/A
	Passenger throughput during the passenger busy hour (passengers/hour)	1,676	1,191	N/A
	Utilisation (% of processing capacity)	52%	46%	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)	27 Sep 2013 5 p.m.		
	Floor space (m^2)	799		
	Number of emigration booths and kiosks	27		
	Notional capacity during the passenger busy hour (passengers/hour) *	2,208		
	Passenger throughput during the passenger busy hour (passengers/hour)	1,676		
	Utilisation (busy hour passengers per $100m^2$)	210		
	Utilisation (% of processing capacity)	76%		
	** 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)	27 Sep 2013 5 p.m.	20 Feb 2014 3 p.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)	1,676	1,055	
	Utilisation (busy hour passengers per $100m^2$)	553	191	
	Utilisation (% of processing capacity)	103%	78%	
	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)	43		
	Utilisation (busy hour passengers per $100m^2$)	51		
	Utilisation (% of processing capacity)	8%		
	** 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 2014**

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

ref *Version 2.0*

ref		International terminal	Domestic terminal	Common area †
61				
62	**Airside circulation (outbound)**			
63	Passenger busy hour for airside circulation (outbound)—start time			
64	(day/month/year hour)	27 Sep 2013 5 p.m.	18 Feb 2014 8 a.m.	
65	Floor space (m²)	8,965	2,251	
66	Passenger throughput during the passenger busy hour (passengers/hour)	1,719	1,191	
67	Utilisation (busy hour passengers per 100m²)	19	53	
68	**Departure lounges**			
69	Passenger busy hour for departure lounges—start time (day/month/year hour)	27 Sep 2013 5 p.m.	18 Feb 2014 8 a.m.	
70	Floor space (m²)	6,716	2,595	
71	Number of seats	2,668	870	
72	Passenger throughput during the passenger busy hour (passengers/hour)	1,719	1,191	
73	Utilisation (busy hour passengers per 100m²)	26	46	
74	Utilisation (passengers per seat)	0.6	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)	16 Jan 2014 2 p.m.	19 Jun 2014 6 p.m.	N/A
79	Floor space (m²)	8,610	2,277	N/A
80	Passenger throughput during the passenger busy hour (passengers/hour)	1,727	1,376	N/A
81	Utilisation (busy hour passengers per 100m²)	20	60	N/A
82	**Passport control (inbound)**			
83	Passenger busy hour for passport control (inbound)—start time			
84	(day/month/year hour)	16 Jan 2014 2 p.m.		
85	Floor space (m²)	1,470		
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)	1,646		
89	Utilisation (busy hour passengers per 100m²)	112		
90	Utilisation (% of processing capacity)	50%		
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)	16 Jan 2014 2 p.m.	19 Jun 2014 6 p.m.	N/A
95	Floor space (m²)	1,532	1,636	N/A
96	Passenger throughput during the passenger busy hour (passengers/hour)	1,646	1,376	N/A
97	Utilisation (busy hour passengers per 100m²)	107	84	N/A
98	**Baggage reclaim**			
99	Passenger busy hour for baggage reclaim—start time (day/month/year hour)	16 Jan 2014 2 p.m.	19 Jun 2014 6 p.m.	
100	Floor space (m²)	4,348	1,259	
101	Number of reclaim units	5	3	
102	Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	1,587	938	
103	Bags processed during the passenger busy hour (bags/hour)*	1,561	1,060	
104	Passenger throughput during the passenger busy hour (passengers/hour)	1,646	1,376	
105	Utilisation (% of processing capacity)	98%	113%	
106	Utilisation (busy hour passengers per 100m²)	38	109	
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)	16 Jan 2014 2 p.m.		
111	Floor space (m²)	2,242		
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)	1,646		
115	Utilisation (% of processing capacity)	108%		
116	Utilisation (busy hour passengers per 100m²)	73		
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)	16 Jan 2014 2 p.m.	19 Jun 2014 6 p.m.	N/A
120	Floor space (m²)	1,918	143	N/A
121	Passenger throughput during the passenger busy hour (passengers/hour)	1,646	1,376	N/A
122	Utilisation (busy hour passengers per 100m²)	86	962	N/A
123				

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2014**

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)	55,506	13,802	N/A
133	Number of working baggage trolleys available for passenger use			
134	at end of disclosure year	2,714	1,169	N/A

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

136 1. General comments on capacity utilisation

137
138
139 Auckland Airport's preference is to maximise the utility of existing assets. In this regard, Auckland Airport pursues innovations and strives for best practice maintenance, management technology and operational efficiency. Auckland Airport also places value on sustainable maintenance and construction practices. A 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.

In the international terminal, the capacity utilisation indicators suggest that the emigration processes, outbound security screening, in bound bio-security screening 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 the last pricing round. Following the conclusion of the Masterplan, the siting of future baggage reclaim belt capacity has been finalised. Following consultation and agreement with BARNZ, Auckland Airport is investing in two new Code F compliant baggage reclaim belts. The first belt is expected to be delivered in time for the FY15 summer peak and the second is scheduled to be operational by the FY16 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.

As part of the works to increase capacity in the baggage hall, the MPI area is also being expanded. The expanded area will provide opportunities to further optimise the capacity of the biosecurity area. This expansion is expected to be completed by the FY15 summer peak.

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 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 agreed with BARNZ. The project was substantially completed during FY14. The departure lounges, airside circulation, security screening and baggage reclaim areas have all been expanded to reduce congestion and improve the customer experience. In comparison to last year, the floor space in these areas has increased by the following amounts:

- Security screening 40%
- Airside circulation (outbound) 31%
- Airside circulation (inbound) 30%
- Departure lounges 21%
- Baggage reclaim 18%

The additional space in the departure lounges has enabled additional seats to be added. In comparison to last year, the number of seats at the domestic terminal increased by 27%.

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 anticipate that a new and integrated facility will be required. The integrated terminal programme has been excluded from the current pricing schedule. However, we expect that consultation and early inception and feasibility studies will commence within this pricing period.

As part of the DTB Capacity Enhancement project, security screening was centralised. Previously there were two security screening points. Centralising the facility allowed screening units to be rationalised from six to five. By co-locating the security screening units, AVSEC is able to more efficiently resource the facilities.

2. Floor spaces

In 2010, international aviation consultant Airbiz was engaged to compile estimates of capacity and utilisation measures in the same manner as required by the new information disclosure. 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.

3. Notional capacity of baggage units and busy hour throughput

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.

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 notional capacity of the international baggage reclaim facilities is based on three of the reclaim units being occupied by code E or smaller aircraft and two 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 1,673. 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 0.95 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 and United Kingdom passport holders who are over 16. If an aircraft has relatively fewer passengers able to use the SmartGates, the practical capacity will be lower.

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, only 43 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 4am on the 30th of March 2014. At this time, 208 passengers went through transit and transfer screening. The percentage of notional capacity used at this busy hour is 39%.

6. Departure lounges

The number of reported seats in both the international and domestic terminals was based on a physical count in September 2014.

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.

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 2014.

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 2014**

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 for year ended*	1 30 Sep 13	2 31 Dec 13	3 31 Mar 14	4 30 Jun 14	Annual average
Ease of finding your way through an airport		4.0	4.0	4.0	3.9	4.0
Ease of making connections with other flights		3.9	3.8	3.7	3.8	3.8
Flight information display screens		4.1	3.9	4.0	4.0	4.0
Walking distance within and/or between terminals		4.0	3.9	3.9	3.8	3.9
Availability of baggage carts/trolleys		4.2	4.1	4.1	4.0	4.1
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.3	4.1	4.2	4.1	4.2
Availability of washrooms/toilets		4.0	3.7	3.9	3.8	3.8
Cleanliness of washrooms/toilets		3.8	3.6	3.7	3.7	3.7
Comfort of waiting/gate areas		3.6	3.4	3.5	3.6	3.5
Cleanliness of airport terminal		4.0	3.8	3.9	3.9	3.9
Ambience of the airport		3.8	3.5	3.6	3.6	3.6
Security inspection waiting time		4.2	4.0	4.1	4.1	4.1
Check-in waiting time		4.5	4.2	4.2	4.3	4.3
Feeling of being safe and secure		4.4	4.1	4.3	4.2	4.3
Average survey score		4.1	3.9	3.9	3.9	3.9

International terminal	*Quarter for year ended*	1 30 Sep 13	2 31 Dec 13	3 31 Mar 14	4 30 Jun 14	Annual average
Ease of finding your way through an airport		4.2	4.0	4.1	4.3	4.2
Ease of making connections with other flights		4.1	4.0	4.2	4.0	4.1
Flight information display screens		4.1	4.1	4.2	4.2	4.1
Walking distance within and/or between terminals		3.9	3.9	3.9	4.1	4.0
Availability of baggage carts/trolleys		4.3	4.1	4.2	4.2	4.2
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.3	4.2	4.3	4.3	4.3
Availability of washrooms/toilets		4.2	4.1	4.2	4.1	4.2
Cleanliness of washrooms/toilets		4.2	4.2	4.2	4.1	4.2
Comfort of waiting/gate areas		4.0	4.0	3.9	4.0	4.0
Cleanliness of airport terminal		4.3	4.3	4.4	4.3	4.3
Ambience of the airport		4.1	4.1	4.2	4.1	4.1
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	4.3	4.2
Check-in waiting time		4.2	4.1	4.1	4.4	4.2
Feeling of being safe and secure		4.3	4.3	4.4	4.4	4.4
Average survey score		4.2	4.1	4.2	4.2	4.2

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

Quality of the service is critical to Auckland Airport's performance as New Zealand's international gateway. We remain committed to understanding the quality preferences of businesses that rely on Auckland Airport including airlines, government agencies and air cargo handlers. In line with Auckland Airports Faster Higher Stronger strategy, the Airport remains focussed on continually making improvements to the passenger experience, both directly and alongside airport partners, through seeking to meet their quality expectations.

Auckland Airport uses a number of methods to understand and improve the quality of services required by passengers through Auckland Airport to assess customer satisfaction. This includes:

- Airport Service Quality (ASQ) quarterly surveys
- Customer experience research
- Customer feedback

1. ASQ Quarterly Surveys

Auckland Airport surveys its passengers every quarter. This survey covers key aspects of passenger facilities and customer service.

The minimum sample size is 350 passenger interviews 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 above 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.

Each quarter Auckland Airport undertakes a detailed review of the passenger surveys. The results are fed into business activities and process improvement initiatives.

In the international terminal, Auckland Airport launched a gate lounge comfort and interior refreshment programme in FY12. Feedback from the passenger experience at gate lounges was used to shape the business case for refurbishment priorities. This refurbishment programme has continued in FY14 with seven gates having been completed to date. In FY14, the development of the gate lounges also included the creation of additional circulation space.

In the domestic terminal, Auckland Airport has substantially completed the Short Term Capacity Upgrade project. This project provides increased circulation and gate lounge space, increases the amount of gate lounge seating and also provides refurbished and expanded bathroom facilities. It is important to note that the scale of the project was significant and it was important to manage this in an environment in which 6.9m passengers were still using the terminal. Despite careful management of the construction site, it is likely that the scale of construction activity during FY14 will have impacted customer satisfaction scores in the ASQ survey. Going forward, it is expected that the investment made will have a positive impact on how customers rate the domestic terminal. Auckland Airport is mindful to balance significant investment in new and additional facilities in the domestic terminal against the remaining life expectancy of the terminal in its current form.

A number of other initiatives supported by Auckland Airport in FY14 have helped to maintain customer satisfaction scores. These include:

- Multi-language flight information display screens (FIDs) – now capable of 9 languages
- Multi-language public announcements
- Dynamic messaging in the arrivals hall to facilitate baggage reclaim and biosecurity processing
- New directory maps
- Airport concierge service on arrivals
- New cultural training programme for roving agents and airport concierge staff to improve customer service
- Expansion of Auckland Airport's Emperor Lounge – a VIP lounge
- Satellite duty free offering on Pier B in the international terminal to increase duty free options for passengers using distant departure gates
- Improved food and beverage offerings in the international terminal
- Mystery shopping programme covering retailers and key operational areas (bathrooms and food-courts) to assess performance against customer service KPIs
- Mandarin speaking ambassadors and increased mandarin speaking retail staff
- Provision of thirty minutes of free WIFI
- Chinese New Year activities
- Improved way-finding
- Removal of out-dated FIDs screens
- Terminal advertising de-clutter to improve the terminal experience

Auckland Airport continues to use the expanded ASQ tool to develop a greater understanding as to why passengers rate the airport poorly in some areas. Where a passenger rates a service or facility lower than 2 out of 5 (fair to poor), Auckland Airport receives direct feedback as to what the passenger bases this rating on. This is used to better inform investment and expenditure decisions. Going forward, Auckland Airport is working on ways to track passengers in real time. This will also assist in enabling cleaning resources and operational staff to be directed to where they are most needed. Potential solutions to provide real time information have been identified in FY14. Implementation of the project will begin in FY15.

2. Customer Experience Research

As well as assessing the satisfaction of customers with the airport facilities, Auckland Airport also undertakes regular qualitative and quantitative market research to assist in understanding consumer and community needs and preferences. In FY14, Auckland Airport undertook three research projects to improve the quality and range of services offered.

The first project was conducted in order to evolve Auckland Airport's customer value proposition. The research team investigated the needs of key passenger groups and the experience that would improve their experience of the Airport. This covered all aspects of the passenger's end to end journey, including: expectations of the arrivals and departures experience, enabling the journey to be smoother and less stressful, expectations of terminal ambience, navigating through the terminal and desired retail facilities that would allow the passenger to begin their holiday experience at the Airport.

The second project was designed to better understand the levels of service that customers expect at Auckland Airport. This was done through benchmarking Auckland Airport's ASQ customer satisfaction against peers and conducting further research into passenger's expectations of key airport processes. Expectations of processes was also broken down by major customer segment in order to understand the differences in expectations of various customer groups. More in-depth research into the ASQ ratings of key airport processes has provided valuable insight into the overall ASQ rating of the individual processes. This has been shared with the appropriate stakeholders in order to drive continuous improvement. The expectations of service levels will also be used to optimise the design of future investment in the terminal to ensure efficient investment providing the right level of service for the appropriate customer segments.

In addition to the research assessing passenger expectations, Auckland Airport undertook a third research project to understand how the Airport is perceived by the wider community. The research showed that Auckland Airport is generally viewed very positively by the wider public. This will be used as a baseline moving forward to assess how proposed changes are impacting on the public's perception of the Airport. Auckland Airport is committed to working with the community to ensure positive outcomes.

3. Other sources of customer feedback

Direct customer feedback is important in helping Auckland Airport improve the customer experience. Auckland Airport monitors feedback through a number of sources. Social media is monitored and used as a tool to engage with customers and answer questions. Auckland Airport has a twitter account which is monitored for customer feedback. Customer complaints are also monitored through Auckland Airport's 'tellus' email address and comment cards. This information is collated monthly and reported to management.

A strong passenger satisfaction indicator is whether an airport stands out in the World Airport Skytrax Awards. For the last six years, Auckland Airport has been voted the best airport in Australia Pacific in the World Airport Skytrax awards, and is consistently named in the world's top 20 airports. In 2014, Auckland Airport also received the best service Australia Pacific award for the third year in a row.

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 2014**

SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref *Version 2.0*

6 **Disclosure of the operational improvement process**

The Determination requires airports to introduce processes that facilitate the ability of airports to meet regularly with airlines to:

(a) Identify any measures available either to:

i. Reduce the likelihood of service losses which have caused loss of material services or on time departure delays from reoccurring; or

7 ii. Better manage such losses of service or on time departure delays so as to reduce the impact; and

(b) Review quarterly passenger satisfaction surveys to identify where remedial action is required by the airport, airline or border agencies.

Auckland Airport is committed to working constructively and comprehensively with its stakeholders to improve the quality of service for both passengers and airlines. In FY14 Auckland Airport:

8
- Refined its asset management practices and capital governance.
- Participated in a number of forums that facilitate operational improvement. These include forums to improve reliability and capacity utilisation of the runway and taxiways, air-bridges and baggage systems, as well as health and safety forums.
- Proactively engaged with stakeholders through the Collaborative Operations Group (COG) framework. The COG framework has been established to improve operational performance across the end to end journey.
- Identified a number of operational projects to improve passenger flows, improve customer satisfaction, manage peak volumes and enhance capacity through process improvement.

9
- Worked closely with airlines to provide operational and/or capital solutions to accommodate airline requirements.
- Improved health and safety outcomes.
- Invested in sustainability.

Auckland Airport encourages a collaborative approach when problem solving at Auckland Airport. This provides businesses operating at the airport an opportunity to input into short medium and long term planning with their quality preferences. At times businesses are represented by membership forums such as the Board of Airlines Representatives ("BARNZ") and the New Zealand Air Cargo Council.

10 In FY14 both these memberships were provided an update of the high level Masterplan outcomes. We remain committed to understanding the requirements of businesses as the Airport Development Plan progresses.

1. <u>Asset Reliability and Service Quality</u>

During FY14 Auckland Airport has continued to enhance its asset management practices. Following the development of an overarching asset management strategy in FY12 and FY13, Auckland Airport has been reviewing its asset management plans for all assets. This has involved comprehensive condition assessment and specifying quality benchmarks. Asset inventories and maintenance plans have been developed to support expected quality levels.
11 Improving asset management planning enables Auckland Airport to optimise the balance between capital and operational spend and deliver the lowest life cycle cost for the specified level of service. Asset management plans are reviewed annually and customer feedback on service level requirements are incorporated in plan updates.

Asset management planning also encourages Auckland Airport to consider best practice and innovative ways of improving reliability. Auckland Airport undertakes root cause analysis of all asset outages that impact a flight and are caused by an equipment failure. Root cause analysis of air-bridge outages identified the need for more regular condition assessments to prevent air-bridge outages. In FY14, Auckland Airport increased its use of non-destructive condition assessments. The use of non-destructive techniques has a number of benefits:

12
- It is quicker than invasive methods, allowing for more regular testing
- Potential problems can be identified before they occur
- Problems are identified which otherwise would not be identified without destroying the asset
- Reduces the risk of outages caused by human error in reassembling assets.

Non-destructive testing is conducted on two aspects of air-bridge motors. A condition assessment using vibration techniques is conducted on each air-bridge motor every four months. Crack testing of the drive shaft occurs once every six months.
13

Auckland Airport is also investigating customising asphalt on taxiways and the apron to improve reliability. By conducting condition assessments of the asphalt through forensic analysis and assessing the use of the area, Auckland Airport can ensure that the asphalt chosen is fit for purpose. Using customised 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. Taxiway Kilo has been identified as an area where customised asphalt would be beneficial.

14 During FY14 Auckland Airport began a project to reduce the number of bags damaged by the baggage handling system. The project team have identified a new type of baggage sortation device (lateral powered ploughs) that will reduce damage to baggage going through the system. The project commenced in FY14 and will continue in FY15.

2. Operational Improvement Forums

To ensure that Auckland Airport's service levels are meeting the requirements of stakeholders, Auckland Airport attends a number of forums. These forums address reliability, capacity utilisation, health and safety and operational process improvement.

Runway and Taxiways

15 Auckland Airport holds a monthly forum where runway and taxi-way issues are discussed. Incidents, wildlife hazards and safety issues are identified and communicated.

The Airfield Capacity Enhancement (ACE) forum meets quarterly to discuss ways to enhance runway capacity. The meeting is attended by Auckland Airport, Airways and Air New Zealand. As congestion increases, the on time performance of airlines may be impacted, particularly at peak times. In an effort to minimise congestion related issues as demand increases, this forum is investigating practices that could be employed to enhance runway capacity. Current projects underway include a working group assessing how to reduce runway occupancy time.

16 *Air-bridges*

Auckland Airport has taken a proactive approach to the improvement of air-bridge performance. Since October 2009, Auckland Airport has been meeting monthly with airline representatives to improve operational performance. Initially, work focussed on air-bridge faults and repairs and maintenance issues. As air-bridge performance improved, the focus of these meetings has broadened to include safety as well as improvement projects. Breakdowns and on time performance impacts are presented. Outages are further broken down to evaluate whether they were due to operator error or an equipment outage.

17 *Baggage System*

Auckland Airport continues to contribute to weekly and monthly forums to address baggage handling performance. This includes regular meetings with Glidepath, the baggage handling operator. Auckland Airport also chairs monthly baggage handling system operations meetings. These are attended by Auckland Airport, airline representatives, maintenance contractors, ground handlers and AVSEC. The meetings cover safety issues and upcoming projects, as well as routine operations.

COG

18 Auckland Airport formed the Collaborative Operations Group ("COG") in March 2012. COG's focus is to improve the end to end passenger journey. The group is chaired by Auckland Airport and has representation from airlines, ground handlers and border agencies. During FY14 the COG framework was reset to provide increased strategic oversight, improve collaboration and support continuous improvement initiatives. A new forum, the Senior COG, was introduced to shape the longer term goals of COG and prioritise collaborative projects. The Senior COG meets once a month and provides direction to the monthly and daily COG forums. Strategic objectives are reported to the CEO COG forum, who meet quarterly. The CEO forum has final sign-off on strategic goals and direction. The monthly COG forum focuses on short to medium term tactical objectives, while the daily COG focuses on short term issues such as resourcing and off-schedule flights.

19 The COG forums have identified five key objectives to prioritise collaborative improvement projects. These are:

- Safety and security
- On time performance on both arrivals and departures
- Intercept 98.5% of biosecurity threats
- Customer satisfaction
- Processing times

20 Because customer satisfaction is a key objective of COG, ASQ results are presented to the group. Research into the key drivers of customer satisfaction, including how passengers view each element of the arrivals and departures process, have also been presented to COG.

3. Operational Improvement Initiatives

Auckland Airport has instigated and contributed to a wide range of operational improvement initiatives over the year.

Airport Collaborative Decision Making (A-CDM)

21 A-CDM is about airport partners (airport operators, aircraft operators, ground handlers and air traffic control) working together to improve the efficiency, predictability and punctuality of airport operations. Auckland Airport is leading this project to promote the sharing of real-time and predictive operational data. The governance structure has been formed and Auckland Airport will be the first airport in New Zealand to go live with A-CDM. This is expected to take place in FY15.

Aeronautical Operating Systems (AOS) Upgrade

22 The detailed design and development of the new aeronautical operating system continued during FY14. The new system uses a technology platform to facilitate the real time sharing of key operational information between the Airport, ground handlers, airlines, border agencies and Airways. This data exchange will allow for more collaborative, timely decisions to be made that positively impact on-time performance and operational efficiency. Once completed, the upgrade will contribute to improved capacity management and asset utilisation, improved customer experience and enable efficiencies for airlines. By optimising asset utilisation and improving capacity management, this project has the potential to increase runway peak capacity. The AOS system is expected to be fully operational by the end of FY15.

Departures Project

23 Customs have led a project working with Auckland Airport and AVSEC to apply a continuous improvement approach to the departures process. State Services Commission specialists are providing guidance and support to the multi-agency project team to deliver a structured approach and develop continuous improvement leaders. The project aims to optimise the departures process to deliver a more streamlined and efficient experience for passengers. A number of initiatives have been trialled and tested and will be progressed further during FY15.

Apron Optimisation

Auckland Airport is working with Air New Zealand, Menzies Aviation and Skycare to optimise the international apron activities. Key objectives of the project are to improve on-time performance, maximise capacity utilisation of airport assets and to reduce operating costs associated with towing and ground services.

Oversize and Fragile Baggage

24 Passengers can experience lengthy queues at the oversize and fragile baggage process at peak periods. Auckland Airport has commenced a project applying LEAN methodology to improve the passenger experience by reducing queues and wait times. Root causes have been identified and measures to improve the process will be trialled in FY15.

Arrivals Quick Wins

25 During FY14 Auckland Airport completed a project to using LEAN methodology to identify quick wins to improve the passenger arrivals experience. The quick wins identified included; changes to trolley storage to improve circulation and reduce congestion and updates to way-finding and circulation. During FY15, this project will be expanded to include longer term strategic solutions to maximise capacity utilisation and improve process efficiency.

Passenger Flow Management

26 Auckland Airport has initiated a project to enhance passenger tracking and provide passenger counts across the international terminal. The project will deliver a passenger counting and tracking solution across the end to end passenger journey. We currently use the Blip solution to monitor passenger flows and process times however this system only provides a 1.8% penetration rate. We are looking to improve penetration rates and sample sizes with the new solution. The purpose is to gain a better understanding of passenger flows and behaviours across the end to end journey, which will in turn allow us to provide better and more timely services. For example, enhanced passenger tracking will allow increased monitoring of passenger flows through bathroom facilities to understand demand by time of day and day of the week. The data will also feed into capital planning processes to ensure that we are investing in capacity when required and that we are investing in facilities of the right size.

The preferred supplier has been chosen to deliver the product and implementation will begin in FY15.

Slot Co-ordination

27 Auckland Airport has successfully managed the transition to an independent process for managing slot co-ordination. Independent slot co-ordination is in line with international best practice and provides a number of benefits. The new structure involves both airlines and the airport in its governance and oversight. The new slot co-ordinator, ACL, has world class experience and the systems ACL uses provide far better intelligence than was previously the case. This enables the Airport and its stakeholders to operate more efficiently and also allows for the better utilisation of assets.

SMART Trial

28 Airways, in conjunction with Auckland Airport and the airlines, has tested three new flight approaches into Auckland known as SMART approaches. The trial utilised satellite based navigation enabling shorter, more efficient, curved landing approaches. The trial found SMART approaches reduced flight times and led to a significant reduction in fuel burn and carbon emissions. These approaches enable aircraft to fly very strict procedures, by way of very specific profiles, which enable the airlines to ensure their fuel burn is minimised. The approaches also enable our airline customers to improve their environmental performance.

29 Auckland Airport has put significant resources into working with the community to understand their concerns over the trials and to educate the general public on the benefits of the proposed approaches. These costs were unforeseen at the time of pricing. This is an example of how Auckland Airport invests in trials which temporarily can increase its own cost base in order to test the potential for materially reducing industry wide costs.

Computer Aided Simulation Technology (CAST) Planning Model

In FY14 Auckland Airport has continued the development of a CAST model of the international terminal to assist capacity planning and process improvement. This has involved gathering base capacity data through manual capture and working with stakeholders to input existing data. It is envisaged that the model will be used as a tool by the collaborative operations group to assist in joint improvement initiatives and modelling investment scenarios to ensure efficient outcomes.

30 *Summer Peak Management*

Auckland Airport works with the airport community to plan for the summer peak. Through joint operational planning, operational measures are implemented to manage increased passenger volumes over the peak. One such measure is the use of summer students to assist in managing processes to improve the customer experience during the peak. In FY14 Auckland Airport increased the number of summer students hired and made greater use of summer students to assist the border agencies.

Resource Increases

31 Auckland Airport has increased the amount of resources dedicated to improving its operational facilitation. Two roles have been created. A baggage hall co-ordinator role has been introduced to improve efficiency and improve real time collaboration in the baggage hall. A permanent domestic terminal operational co-ordinator role has also been created to deliver greater operational response. Neither of these roles were forecast at the time of pricing.

During FY14 Auckland Airport investigated the use of roving customer service agents to facilitate customer service. A trial is likely to take place in FY15.

32 *SmartGate Upgrade*

New Zealand Customs have expanded SmartGate to include United Kingdom and United States citizens. This is an example of Auckland Airport working with border agencies to improve the customer experience by making journeys better through the use of technology.

Customer Experience Initiatives

A significant number of customer experience initiatives have been put in place by Auckland Airport to maintain and/or improve customer satisfaction scores in FY14. There are detailed in schedule 14.

33 *Productivity Initiatives*

In FY14, Auckland Airport also worked on the following initiatives to improve asset utilisation:

- *Counter allocation* – Auckland Airport transitioned to a fully independent counter allocation process to support all airlines and ground handlers. The counter allocation process was previously conducted by Air New Zealand and is now run by ACL International. Auckland Airport has worked closely with ACL to understand usage patterns, optimising capacity utilisation. Additionally, counters are now billed on actual usage, enabling airlines and ground handlers to drive efficiencies in their own operational processes. As part of this initiative, Air New Zealand reduced its dedicated counters, moving check-in traffic to its kiosk product. This has helped to increase capacity without the need for new investment.
- *Traffic management plan in the international breezeway* - Aimed at improving traffic flows in the breezeway to improve efficiency in baggage delivery
- *Automated carousal allocation tool* – automation software developed to control carousel allocation activity through agreed business rules. This project optimises the utilisation of the reclaim belts and reduced late carousel changes.

4. Initiatives Supporting Airline Requirements

Auckland Airport is committed to working collaboratively with airlines to accommodate their requirements, recognising that not all requirements can be known at the time of pricing. During FY14, Auckland Airport has worked on the following such projects:

Realignment of Air New Zealand's International to Domestic Transfer

Auckland Airport worked with Air New Zealand to improve the international to domestic transfer process. The transfer process was incorporated into the existing Air New Zealand international check-in product. This provided a better experience for passengers and allowed for the more efficient use of resources. The project involved upgrading the baggage system and updating passenger way-finding. Air New Zealand was also able to reduce its leased space.

34

Fixed Electrical Ground Power Unit (FEGP) Upgrade

During the year, Auckland Airport also worked with Air New Zealand to support the introduction of the new 787-900 series of aircraft. The existing FEGPs were not able to handle the increased electrical demands of the 787-900s. Auckland Airport have identified new units which can be installed in the FEGPs to allow them to be used with these planes. One unit was installed in FY14 and four others will be upgraded over FY15. The remaining units will be upgraded once the existing units fail. This approach gives Auckland Airport the flexibility to manage 787-900 aircraft as more are brought into service, whilst also balancing the cost of the new investment.

5. Health and Safety

Auckland Airport is committed to investing in health and safety initiatives. In FY14, Auckland Airport made the following investments:

New Firefighting Vehicles

35 Four new firefighting vehicles were purchased to ensure that Auckland Airport can provide the best emergency response possible. The Rosenbauer panthers have state of the art technology including engine and pump monitoring systems, CCTV, thermal imaging cameras and extinguishing systems. The firefighting equipment built into these Panthers was also developed to meet the operational requirements of new generation aircraft including the A380, the largest passenger aircraft in service today. This is important to Auckland Airport, considering that three scheduled A380 services landed at Auckland Airport during FY14, a number which is forecast to increase in FY15. The volume of A380s arriving within a short window of time was unforeseen at the time of pricing and has operating and capital cost implications. Increased investment in firefighting vehicles is one such cost.

To ensure that Auckland Airport achieved a competitive purchase price, the vehicles were chosen through a worldwide tender process. The process was won by The Rosenbauer Group, a world leader in airport firefighting appliances.

Marine Fleet

To further improve Auckland Airport's ability to respond to emergencies on the Manukau Harbour, Auckland Airport has investigated options for upgrading its marine rescue fleet. In FY15, the rescue fleet will comprise of an 11 metre working boat, a 12 metre command and firefighting boat and a new Griffon 2000TD hovercraft.

Emergency Management

36 To ensure a world class response to an emergency situation, Auckland Airport simulates crisis management responses. In FY14, Auckland Airport held Emergency Operations Centre open days for airlines and briefed stakeholders on new improved response procedures. Stakeholders were briefed on new data squirt messaging to ensure that information is disseminated to the appropriate parties as quickly as possible. The Airport also ran three desktop emergency response exercises.

FM Global Risk Audit

After completing a risk audit, FM Global made recommendations to improve Auckland Airport's risk status. In FY14 Auckland Airport fulfilled these recommendations and were subsequently reassigned a risk status of "highly protected risk" (HPR). Recommendations included; fire system modifications, fire room sealing (to stop fire spreading and increased preventative maintenance. FM Global define a highly protected risk as a location at which all reasonable physical and human element loss prevention measures have been implemented to protect buildings, equipment and contents from all losses, including those caused by natural hazards. Reaching this status means that Auckland Airport has reached an "industry best" standard. FM Global's loss history clearly shows that HPR locations suffer losses at greatly reduced frequency.

6. Sustainability

In FY14 Auckland Airport completed a number of initiatives to improve sustainability. Auckland Airport is committed to sustainable practices to ensure that life cycle costs are minimised.

Energy Efficiency

Auckland Airport undertook two initiatives to reduce energy costs. The installation of energy efficient lighting in the ground floor arrivals area and the first floor departures area resulted in electricity savings of 73%. The upgrade of heating, ventilation and air conditioning in check-in area with demand driven controls resulted in electricity savings of 84% and gas savings of 56%.

Waste Minimization

Auckland Airport installed new recycling bins for passengers, organic waste recycling in the food court areas and plastic wrap and polystyrene recycling for airline and retail tenants.

Sustainability

In FY14 Auckland Airport maintained its Earthcheck Silver certification status, confirming it as a leader in sustainable tourism. Earthcheck Silver certification is a key benchmarking, certification and environmental management programme used by the global travel and tourism industry. To achieve Earthcheck certification, Auckland Airport was required to undergo third party audits and demonstrate continued improvement in performance. The Earthcheck programme follows a standard that focusses on all areas of airport operations, from carbon emissions to the use of biodegradable chemicals.

Auckland Airport is also included in the both the Dow Jones Sustainability Index (Asia Pacific) and FTSE4Good index. To be included in the Dow Jones Sustainability Index, companies must complete a corporate sustainability assessment. Selection is based on long term economic, social and environmental sustainability management plans. To remain in the index, companies must continue to make improvements to their sustainability plans. The FTSE4Good index has similar criteria. Companies must demonstrate strong environmental, social and governance practices to be included in the index.

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.

Page 33

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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	3,303	964,190
Boeing - B777-300ER	1,718	602,249
Airbus -380-800	1,000	569,000
Boeing 737-800	6,289	496,715
Airbus - A320	4,864	371,766
Boeing - B767-300ER	1,737	324,572
Airbus - A340-300	1,175	323,808
Boeing - B747-400	532	210,117
Airbus - A330-200	715	166,783
Airbus - A330-300	305	70,165
Boeing 787-8 Dreamliner	287	65,435
Boeing - B737-200	227	15,907
Boeing - B757-200	102	11,111
McDonnell Douglas - MD-11	38	10,868
Boeing 737-300	11	689
Boeing 777-200LR	1	347
Bombardier - BD-700 Global Express	7	312
Boeing 747-SP	1	304
Boeing 747-400F	1	286
Airbus -340-200	1	260
Boeing - B737-400	3	194
Gulfstream Aerospace - Gulfstream V	4	164
Grumman - G-4	2	67
Bombardier - Learjet 35	8	67
Antonov - AN-12	1	61
Cessna - 650 Citation 3/6/7	6	61
Convair - CV-580 Convair	2	48
Canadair - CL-600 Challenger 600	2	42
Israel Aircraft Industries - 1124 Westwind	3	32
Dassault - Falcon 7X	1	32
Embraer - ERJ-135	1	19
Bombardier - Learjet 45	2	18
Cessna - 525 CitationJet	3	17
Dassault - Falcon 20	1	13
British Aerospave - BAe-125-700/800	1	13
Fairchild -SW-4B	1	7
Beechcraft - 200 Super King Air	1	6
Piper - PA-42-1000 Cheyenee 400	1	5
Total	22,357	4,205,750

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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 - A320	13,392	987,318
Boeing - B737-300	6,775	385,583
Boeing - B737-800	18	1,422
Airbus -380-800	2	1,138
Boeing - B767-300ER	4	748
Boeing - B777-300ER	2	703
Boeing - B747-400	1	397
Antonov - AN-12	1	392
Boeing - B777-200	1	298
Airbus - A340-300	1	277
Bombardier - BD-700 Global Express	3	134
Gulfstream Aerospace - Gulfstream V	2	82
Grumman - G-4	2	66
Other	1	45
Total	20,205	1,378,601

(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	11,360	221,565
Aerospatiale/Alenia - ATR-72-500	4,962	113,182
Beechcraft - B-1900	10,361	80,453
Convair - CV-580 Convair	886	23,108
Aerospatiale/Alenia - ATR-72-600	425	9,775
Fokker - F-27 Friendship	264	5,386
Britten-Norman - BN-2A Mk3 Trislander	741	3,361
Fairchild - SW-4B	315	2,359
British Aerospace - Jetstream 32	217	1,595
Beechcraft - 90 King Air	170	809
Cessna - 510 Citation Mustang	92	626
Beechcraft - 200 Super King Air	81	460
British Aerospace - Jetstream 32A	13	92
Cessna - 441 Conquest 2	9	40
Douglas - DC-3 Dakota	3	37
Cessna - 208 Grand Caravan	9	36
Piper - PA-42-1000 Cheyenee 400	5	25
Fairchild - SW-4A	3	20
Cessna - 680 Citation Sovereign	1	14
Beechcraft - 300 Super King Air	2	14
Pilatus - PC-12 Eagle	2	9
Bombardier - Learjet 35	1	8
Other	6	32
Total	29,928	463,005

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

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	2,192	6,413
Freight aircraft	540	147,001
Military and diplomatic aircraft	17	1,422
Other aircraft (including General Aviation)	1,482	16,841

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

	Total number of landings	Total MCTOW (tonnes)
Total	76,721	6,219,034

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	45,006	–	721	45,727
Domestic jet air passenger service movements	36,893	4,246	3	41,142

** 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†	3,491,999	4,078,412	7,570,411
Outbound passengers†	3,419,690	4,071,984	7,491,674
Total (gross figure)	6,911,689	8,150,396	15,062,085
less estimated number of transfer and transit passengers		462,560	462,560
Total (net figure)			14,599,525

† 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
	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

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2014**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)

ref *Version 2.0*

178 **Airline statistics (cont)**

179	Domestic	International
180		
181		
182		
183		
184		
185		
186		
187		
188		
189		

190 **16e: Human Resource Statistics**

191		Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
192	Number of full-time equivalent employees	183	90	4	277
193	Human resource costs ($000)				34,056

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

196		2014	2013	% change
197	**Auckland passenger movements**			
198	International arrivals	3,847,132	3,664,376	5.0
199	International departures	3,840,704	3,652,948	5.1
201	**International passengers excluding transits**	**7,687,836**	**7,317,324**	**5.1**
202	Transit passengers	462,560	438,354	5.5
203	**Total international passengers**	**8,150,396**	**7,755,678**	**5.1**
205	Domestic passengers	6,911,689	6,760,537	2.2
206	**Total passenger movements**	**15,062,085**	**14,516,215**	**3.8**

International passenger numbers (excluding transits) grew by 5.1% in the 12 months to June 2014 compared to those for the prior year. This was a strong outcome across a broad range of routes and markets.

In 2014 our work to grow travel markets with airlines and other travel partners culminated in several air capacity increases across a range of markets. In particular, Auckland Airport had capacity increases with Emirates to Brisbane and Dubai, China Southern Airlines to Guangzhou, Malaysia Airlines to Kuala Lumpur, LAN Airlines to Santiago and Sydney, China Eastern to Shanghai, China Airlines to Brisbane and Taipei, and Air New Zealand to North America.

Domestic passenger numbers grew more modestly at 2.2% in the 12 months to June 2014 compared to the very strong growth in the prior year of 8.4%.

Broad base of growth supports the increase in international arrivals

In 2014 we reiterated our drive to develop passenger arrivals from key markets. In particular, we continue to see the opportunities arising from routes flying to destinations that are within one flight from Auckland – Asia, the Americas and Australia – and, during the year, we announced an ambitious target for our country to collectively grow the number of visitors to New Zealand to over 5.0 million by 2025, up from current New Zealand visitor arrivals of 2.7 million.

In 2014 International passenger growth has been broad across a range of source markets. Asian source markets such as Indonesia, Singapore, Malaysia and India each had growth in excess of 10%. We also have seen a recovery from traditional markets including France, Germany and the USA, also each with growth in excess of 10%.

In absolute passenger volume terms we saw healthy increases from our four largest source markets in 2014. New Zealander passenger numbers increased by 71,790 (4.2%), Australian passengers by 36,104 (5.0%), Chinese passengers by 13,213 (6.2%) and additional services to North America, including the full year impact of Hawaiian Airlines, has helped drive a United States passenger increase of 16,847 (11.1%).

The table below shows the top 20 arrivals into Auckland Airport by country of last permanent residence in 2014, the change from the prior year's volumes and the percentage of total arrivals:

Country of last permanent residence	2014 arrivals	2013 arrivals	% change	% of 2014 arrivals	% of 2013 arrivals
New Zealand	1,789,076	1,717,286	4.2	46.7	47.1
Australia	759,093	722,989	5.0	19.8	19.8
China, People's Republic of	226,994	213,781	6.2	5.9	5.9
United States of America	168,437	151,590	11.1	4.4	4.2
United Kingdom	160,669	161,258	(0.4)	4.2	4.4
Japan	61,975	63,564	(2.5)	1.6	1.7
Germany	58,371	49,939	16.9	1.5	1.4
Canada	43,013	41,287	4.2	1.1	1.1
Korea, Republic of	41,490	40,258	3.1	1.1	1.1
India	34,414	30,215	13.9	0.9	0.8
Singapore	27,865	23,769	17.2	0.7	0.7
France	25,709	21,560	19.2	0.7	0.6
Hong Kong (Special Administrative Region)	25,514	24,186	5.5	0.7	0.7
Fiji	24,334	23,607	3.1	0.6	0.6
Malaysia	22,919	19,575	17.1	0.6	0.5
Samoa	18,906	17,536	7.8	0.5	0.5
Taiwan	18,554	17,278	7.4	0.5	0.5
New Caledonia	17,539	16,696	5.0	0.5	0.5
Netherlands	17,054	16,865	1.1	0.4	0.5
French Polynesia	15,301	15,355	(0.4)	0.4	0.4
Other	274,918	257,252	6.9	7.2	7.1
Total Arrivals	**3,832,145**	**3,645,846**	**5.1**	**100.0**	**100.0**

SOURCE: STATISTICS NEW ZEALAND

SOURCE: STATISTICS NZ

2014 Aircraft volume analysis

	2014	2013	% change
Aircraft movements			
International aircraft movements	45,809	44,314	3.4
Domestic aircraft movements	107,454	110,832	(3.0)
Total aircraft movements	**153,263**	**155,146**	**(1.2)**
MCTOW (maximum certificated take-off weight)			
International MCTOW (tonnes)	4,339,266	4,104,679	5.7
Domestic MCTOW (tonnes)	1,879,199	1,824,689	3.0
Total MCTOW	**6,218,465**	**5,929,368**	**4.9**

Total aircraft movements were 153,263, a decrease of 1.2% from 2013 while MCTOW increased to 6,218,465, a growth of 4.9% from 2013. Auckland Airport's airfield income is determined from the MCTOW of aircraft landing at Auckland Airport.

Aircraft movements have decreased due to airlines using larger aircraft, predominantly on domestic routes, in order to increase capacity rather than offering additional flight frequency.

This continuing trend has contributed to the review of the timing of the construction of the northern runway, and the expectation that it can be delayed until the middle of next decade. The use of larger aircraft means that the airport can better utilise the existing runway to maximise passenger and MCTOW growth without the large capital expenditure of an additional runway until it is required.

International MCTOW increased in the 2014 financial year over the prior period, primarily due to increases in services and some up-gauging of aircraft, in particular, Emirates using an A380 on its Auckland to Brisbane and Dubai route from October 2013. Domestic MCTOW increased by 3.0% because Air New Zealand operated larger aircraft on regional and jet routes.

Human Resource Statistics

The total full time equivalent employees of the regulated aeronautical business was 277 for the year ended 30 June 2014 which is 5 more than the year ended 30 June 2013 total which was 272. The increase in actual staff numbers is primarily due to headcount growth in the Airport Development and Delivery business unit. 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 2014**

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	4,295
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	20,499
Net operating charges from airfield activities relating to international flights	63,845
Net operating charges from specified passenger terminal activities relating to domestic passengers	14,718
Net operating charges from specified passenger terminal activities relating to international passengers	127,672

	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	1,708,616
Number of domestic passengers on flights of 30 tonnes MCTOW or more	5,203,073
Number of international passengers	**8,150,396**

	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	468,683
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,398,401
Total MCTOW of international flights	4,185,952

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	2.51	9.16
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	3.94	14.66
Average charge from airfield activities relating to international flights	7.83	15.25

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from specified passenger terminal activities	2.13	15.66

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from airfield activities and specified passenger terminal activities	5.72	23.50

Commentary on Pricing Statistics

The new five year pricing schedule at Auckland Airport was introduced 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 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.

There was a key pricing structure change from 1 July 2013, where 2-11 year olds were charged 100% of the International Passenger Charge, up from 50% in the prior year. This phased introduction of passenger charges for 2-11 year olds was introduced in order to be consistent with most Australian airport pricing practices.

International

Average airfield activity charges per international passenger have increased from $7.58 in the year ended 30 June 2013 to $7.83 for the year ended 30 June 2014.

Average passenger terminal charges per international passenger have increased from $15.01 in the year ended 30 June 2013 to $15.66 for the year ended 30 June 2014. The increase in passenger terminal charges is mainly 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 $22.58 in the year ended 30 June 2012 to $23.50 in the year ended 30 June 2014.

Domestic

The average charges from airfield activities for domestic passengers (for all MCTOW weights) has increased from $3.49 in the year ended 30 June June 2013 to $3.59 in the year ended 30 June 2014.

The average charge from domestic specified passenger terminal activities for domestic have increased from $2.07 in the year ended 30 June 2013 to $2.13 for the year ened 30 June 2014.

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

24 November 2014

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 2014 (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 2014 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 2014 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 (New Zealand) 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 2014 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+1 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 2015 provided by management; and
- Agreeing the Effect of Changes in Cost Allocators CY+1 column in Schedule 10 to the approved budget for the fiscal year 2015 provided by management.

Deloitte.

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.

Inherent limitations

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.

Independence

Other than in our capacity as auditor, our firm carries out other assignments for Auckland International Airport Limited in the areas 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.

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 2014 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
24 November 2014
Auckland, New Zealand