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

Company Name	Auckland International Airport Limited
Disclosure Date	30 November 2013
Disclosure Year (year ended)	30 June 2013
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
Version 2.0. Prepared 25 January 2012

Regulatory Information Disclosure – Specified Airport Services

Annual Information Disclosures FY13

Executive summary:

- Auckland Airport's goal is to serve the interests of consumers and New Zealand by driving choice, innovation, efficiency and quality (reflecting its commitment to making journeys better) and by ensuring that, as the major gateway for New Zealand travel, trade and tourism, it does not constrain the country's economic growth agenda and in fact proactively contributes to that growth.
- In May 2012, we submitted our first information disclosure for Auckland Airport as required under subpart 11 of Part 4 of the Commerce Act 1986 ("**Act**"). This is the third information disclosure.
- Auckland Airport is proud of its airport performance and has embedded the objectives of part 4 of the Commerce Act into its company culture, values, policies and decision making. Auckland Airport remains committed to the new information disclosure process and to ensuring that the new regime is given sufficient time to be fully tested and developed.
- 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 players 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 regime established by the Commerce Commission ("**Commission**") effectively promotes the purpose statement. It does this by providing a greater amount of information, prepared on a consistent basis, for interested persons to assess conduct and performance over time. We provide evidence for FY13 against each of the limbs of the purpose statement.
- The conclusions of the Commission's s56G Review in relation to Auckland Airport have been provided in this Executive Summary as background to the Commission's views on how effectively information disclosure regulation is promoting the purpose of Part 4 at this early stage. The s56G Review also provided critical feedback on how the Commission measures performance against the purpose of regulation, which Auckland Airport is utilising to seek further improvements in our business practices for the benefit of consumers.
- Providing the airport is efficient, the Commission considers an acceptable range for target returns lies between the mid-point and 75th percentile estimate of the airport's cost of capital. There has been a significant reduction in the return on investment ("**ROI**") for both FY13 and FY12 compared to FY11. The FY13 post-tax ROI of 6.46% is comparable to the Commission's published mid-point weighted average cost of capital ("**WACC**") estimate of 6.49% for FY13 and is well below the 75th percentile post-tax WACC estimate of 7.48%. Unlike FY11, FY13 and FY12 did not include a market revaluation of land. In FY11, a large unrealised land revaluation added gains to the ROI and reported profit for that year. Per the disclosure rules, the reported ROI excludes the value of assets (mainly land) being held by Auckland Airport for the future northern runway. Reported post-tax ROI for FY13 would have been approximately 1 percentage point lower had this asset value been included in the ROI calculation.
- During FY13 Auckland Airport developed its new five year business strategy – Faster Higher Stronger. This builds upon the 2009-2013 business strategy, Flight Path for Growth. The new five year business strategy responds to the challenges we have identified ahead from changing aviation markets and changing customer expectations. The four themes in Faster, Higher Stronger are: Grow travel markets, Strengthen our consumer business, Be fast efficient and effective, Invest for growth.
- Significant progress has been made on our 30 year planning vision which will be published in early 2014. As a result of airline feedback on the new terminal facility and following expert review, the vision results in a change to the future location of the new stage of domestic capacity – from the North, to the South.

Introduction

This introduction is intended to assist in interpreting the information required to be set out in the following information disclosure (“ID”) schedules in the context of the purpose statement of the Commerce Act 1986.

The ID regime is still relatively new. This disclosure is the third annual disclosure under the new regime and the first 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 and readily comparable across the three disclosure years.

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.

Auckland Airport is committed to the ID regime and working with the Commission and its customers to ensure the purpose 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 commercial pricing arrangements, 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, has instituted a moratorium on asset revaluations in place for the FY08 to FY12 pricing period as well as 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 this revaluation 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 an 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 2013 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 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 airport passenger experience and airfield operations innovation. This was outlined in earlier disclosures and has continued in FY13. 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, as 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 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 FY13

Airport led innovation

- a) Auckland Airport has initiated a project to enhance passenger tracking and provide passenger counts across the international terminal. This results in new information that builds understanding by time of day and day of week, and informs more efficient day to day planning for operational capacity management. The concept has been developed through FY13 and is expected to become operational in FY14.
- b) In FY13 a business case was developed for investing in a new process for the Computer Aided Simulation Technology (“**CAST**”) modelling of terminal facilities to support superior terminal planning practices in future.
- c) Auckland Airport became the first in New Zealand to offer Flight Information Display boards (“**FIDS**”) in English and Chinese. During the disclosure year, investment was made in system enhancements to enable multi-language FIDS boards. This was launched in October 2013. This initiative has been very well received by Chinese travellers, New Zealand’s second largest and fastest growing visitor market. Additional languages will be added in 2014.
- d) Auckland Airport’s sustainability innovations were recognised in the Dow Jones global sustainable investment index. This is considered the most reputable global index for the socially responsible investor. Only three NZX50 companies were recognised in the 2013 index, with Auckland Airport being the only New Zealand company to feature for the second time.
- e) In March 2013 Auckland Airport innovation and expertise were recognised with a Highly Commended award at the prestigious Routes Asia Airport Marketing Awards, held in India. Auckland was the only Australasian airport recognised in this manner. Participation in the Routes programme is essential to growing new connections to markets currently not open to New Zealand.
- f) Innovative solutions were identified to accommodate a third A380 contemporaneously (we are the only airport outside of Dubai currently hosting three Emirates A380 aircraft at one time).

Facilitation of innovations with others

- g) Auckland Airport has supported the next stage of evolution of the NZ Customs’ automated passenger processing system, SmartGate Plus. The prototype is being tested at Air New Zealand’s premium check-in area. It uses “face-on-the-fly” technology to photograph the passenger as they approach the scanner and then match it to their passport, eliminating the kiosk and ticket part of the current process. The entire one-step process will take around nine seconds.
- h) In November 2012 the Northern SMART approaches trial commenced. SMART approaches are part of a worldwide drive by the aviation industry and regulators to improve flight paths. This is an example of where Auckland Airport has been active in facilitating innovation for others. We have joined with Airways New Zealand and the Board of Airline Representatives of New Zealand (BARNZ) in this initiative. Three airlines participated in the trial: Air New Zealand, Qantas and Jetstar. Using the accuracy of satellite-based navigation, SMART approaches follow a curved approach to the runway and create a more continuous descent, meaning the aircraft travels fewer miles. This reduces fuel consumption and carbon emissions. The approach also means the aircraft engines’ power settings can be at, or close to idle, enabling better noise management for local communities. The Northern SMART approaches 12 month trial concluded on 31 October 2013 and also resulted in a number of noise complaints being received from the community. A formal review of the trial is now underway to consider data from the airlines and Airways, along with community feedback and information gathered from noise monitors.

2. Having an appropriate incentive to invest

2.1 Investment philosophy

Airport infrastructure is very capital intensive and long-lived in nature. It is essential for New Zealand that its airports continue to have appropriate incentives to provide the capacity required to ensure there are no growth constraints and to facilitate our country's ambitions to grow travel, trade and tourism.

Auckland Airport is an economic growth engine for the New Zealand economy. Its goal is to enhance this economic contribution as much as possible. It is taking steps to increase productivity by investing in smart airport infrastructure, in air-service development and, in conjunction with its key stakeholders, by initiating and promoting programmes to attract more tourists and trade to New Zealand.

Investment in large, long-lived airport assets requires careful consideration and the balancing of both short and long-term interests. Masterplanning for Auckland Airport considers national and global factors such as demographics, population and tourism growth, aviation trends, the economy, the regulatory framework, globalisation, technology, resource constraints, security, environmental responsibility and community and stakeholder feedback.

Auckland Airport has a responsibility to the region and New Zealand to ensure that long-term tourism infrastructure capacity for predicted growth is in place. Auckland Airport must also carefully balance supply and demand to optimise the efficiency of existing and new infrastructure.

The nature and large scale of capital investment required to accommodate growth at Auckland Airport, and the relatively shallow capital pools available in this country, mean that Auckland Airport 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.
- b) However, it noted that airlines had commended the improved consultation process for capital expenditure adopted by Auckland Airport.

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.

We note that the new terminal facility was excluded from this investment plan on the basis of feedback from airlines that additional time was required to consider an alternative option put forward by airlines. In its s 56G review, the Commission acknowledged that exclusion of the New Terminal Facility from forecast capex is evidence that Auckland Airport seeks to consult thoroughly on this major investment before including it in airport charges.

2.2 Developments in the last 12 months

- a) Auckland Airport commenced delivery of the five-year aeronautical investment plan. This was included in its pricing and represented the best view of the likely range of capital expenditure over the 2013-2017 period, at the time the pricing decision was made. In FY13 Auckland Airport invested more in asset replacement and renewal assets and less in capacity growth projects than forecast. In total, actual capital expenditure was 22.7% less than forecast at the time of pricing.
- b) The most significant projects for the year to 30 June 2013 were the construction of Taxiway Lima and the commencement of the domestic terminal building ("DTB") capacity enhancement project.

- a. Taxiway Lima: In addition to reducing aircraft congestion and delays, Taxiway Lima improves the safety of aircraft movements in times of low visibility. It is also the first part of what will eventually be the network of taxiways serving the airport's northern runway. Its construction greatly increases Auckland Airport's ability to cater for future passenger and aircraft growth.
- b. DTB capacity enhancement: Works to improve the capacity of the DTB to accommodate growth in the near term commenced in FY13. Expenditure was less than forecast for FY13 due to a delay in finalising agreed concepts with airlines. Nevertheless, the project is tracking on budget and to timetable, maintaining scheduled delivery in mid-2014.
- c) Consistent with the commitment made at the time of pricing, Auckland Airport established a programme for meeting with the BARNZ Cost and Regulatory Committee to discuss annual capital expenditure progress and forthcoming priorities.
- d) Significant work has been undertaken in FY13 on our draft 30 year vision, to better understand the long term requirements of Auckland Airport to optimally serve Auckland and New Zealand. Key principles which underpin the Masterplan are efficiency, resilience and flexibility. It aims to be affordable, stageable, implementable, permit future change and to consider environmental and community needs. Auckland Airport is now engaging with key stakeholders. Details will be published in early 2014.
- e) As a result of airline feedback on the new terminal facility and following expert review during the Masterplan process there has been a change to the future planned location of future domestic capacity - from the north, to the south (closer to the existing runway).
- f) The Cost and Regulatory Committee have been involved in discussions on the appropriateness of deferral of some capital expenditure until the future investment pathway was clearer following the conclusion of the Masterplan. Auckland Airport will continue to work with the Cost and Regulatory Committee to re-purpose the five year aeronautical investment plan.

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

3.1 Service philosophy

Auckland Airport considers that the quality of the service it provides to be critical to its performance as New Zealand's domestic and international 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 the 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

At the World Airport Skytrax awards in FY13 Auckland Airport was voted the 12th best airport in the world, the best airport in Australia-Pacific and received the best service in Australia-Pacific award.

A number of initiatives have been undertaken by Auckland Airport to meet quality expectations of consumers and deliver outstanding results. These include:

- a) Air-service development initiatives to increase consumer choice (and asset productivity) successfully facilitated in FY13 include:
 - Commencement of flights between the Sunshine Coast and Auckland in July 2012 by Air New Zealand.
 - Announcement of four additional flights per week between Taipei and Auckland, via Sydney by China Airlines in August 2012.
 - Announcement by Hawaiian Airlines in February 2013 that it would increase its flights from three to four per week during the September-October peak period.
 - Announcement by Emirates in June 2013 that it would be adding a third A380 to Auckland on its daily Auckland-Brisbane-Dubai route following the successful provision of A380 gate capacity. This service commenced in October 2013.
- b) As the mix of New Zealand's inbound tourists changes it is important, as mentioned under innovation, for the tourism industry to adapt its services and remove barriers to outstanding experiences. Within the context of an airport, the ability to understand FIDS boards is a key part of the consumer experience. This year's innovation of developing multi language capable FIDS boards will enable Auckland Airport to improve the quality of experience for emerging market consumers, for whom English is not their first language. This innovation complements the Tourism 2025 strategy. We have also increased the number of Mandarin speaking ambassadors by 14 during the year.
- c) The continued rollout of gate lounge comfort and interior refurbishment programme was a key passenger service quality initiative in the international terminal building for FY13.
- d) Digital uptake of consumers continues to be strong and consumers expect convenient access to airport information. Initiatives undertaken to meet this need in FY13 include the introduction of Twitter to directly communicate and respond to consumers. An Auckland Airport iPhone App was developed during the year and launched on 29 July 2013. It has been designed to offer people one easily accessible mobile source for reliable information, flight times, gate numbers, security rules and airport maps, as well as car park booking, important contact numbers and information regarding facilities.

Airport stakeholders

- e) Auckland Airport continues to manage its assets with a view to delivering maximum availability to airlines. In 2013 material services (runway, taxiway, remote stands, contact stands, baggage sortation and baggage reclaim) were available almost 100% of the time.
- f) The total number of interruptions to material services reduced from over 200 in the year ended 2012 to less than 100 this year.
- g) In FY13 a software upgrade was concluded to improve baggage tracking and reduce the number of lost bags.
- h) The completion of Taxiway Lima alleviated apron congestion.
- i) During the financial year Emirates advised it was considering placing a further A380 in Auckland, if this could be accommodated. The Aeronautical Operations team considered all options and lead times to accommodate the A380. Quick action, innovation and the incursion of unbudgeted investment in FY13 enabled Auckland Airport to become the first airport outside of Emirates' home hub in Dubai to have three scheduled A380s on the ground at one time. Rather than build a new gate, gate 10 was converted and is now capable of dual boarding all international aircraft.

Other stakeholders

- j) Auckland Airport has the largest noise mitigation programme in New Zealand, designed to reduce noise impacts and meet our obligations to the community. The Auckland Airport Community Trust, which is funded by Auckland Airport, donated \$337,000 in its 2013 funding round and has now distributed over \$2 million in funding to community initiatives within the airport noise contours.

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.

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 measures its efficiencies relative to the FY13 outcomes and the targeted efficiencies for operating expenditure. Its ability to achieve 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; and
- capital and operating trade-offs such as decisions to efficiently incur additional operating cost and prudently defer capital expenditure.

Sharing of benefits

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.

Auckland Airport encourages its staff to reach and outperform forecasts. In FY13 a new business strategy Faster, Higher, Stronger was launched. It includes ambitious goals such as reaching 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.

4.2 Efficiency progress in the last 12 months

Top-line operating costs grew by \$5.7m in FY13. This is mainly attributable to costs associated with route development activities and the long term incentive plan that weren't included in the FY13-17 pricing forecasts. In FY13 Auckland Airport invested \$2.4m more in route development marketing than forecast in pursuit of higher growth in the medium term. Also the long-term incentive plan, established many years before pricing, was revalued based on Auckland Airport's share price, a matter over which Auckland Airport has no direct control. After adjusting for these items, operating costs were contained at \$79.7m, consistent with FY12.

Overall for FY13, despite the incursion of some non-budgeted items and after controlling for the two operating cost items described above, per passenger operating cost efficiencies were achieved¹. In FY12 operating costs per passenger were \$5.69. Auckland Airport forecast operating cost efficiencies and a target operating cost per passenger of \$5.42 in its pricing. On an adjusted basis in FY13 operating costs per passenger were \$5.49.

One example of efficiencies achieved in FY13 was the 4% reduction overall in electrical energy consumption in the international terminal building between FY12 and FY13. Savings were reinvested to ensure energy consumption continues to be minimised whilst ensuring passenger comfort. The following energy efficiencies were achieved in FY13:

- Full year savings from FY12 LED lighting install in the international terminal check-in area were realised – verified as \$81,000.
- Full year savings from FY12 building optimization project in Pier B – verified as \$55,000.
- Part year savings from mothballing in-efficient chilling plant and putting this load onto the central plant – circa \$70,000.
- Part year savings from upgrading air conditioning system in check-in area – circa \$10,000.

Schedule 6 shows that capital expenditure is less than forecast in pricing. The main reason for this is the minor delay to start of the DTB project. Material capital efficiencies have been achieved on Taxiway Lima, partially attributable to the innovative two stage tender process and favourable market conditions.

¹ For example unbudgeted additional workforce was employed in the peak months to facilitate passenger movements and defer capital expenditure on major temporary pinch points. This was not included in pricing.

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 FY13 to airlines and passengers.

Initiatives aimed at improving efficiency or service quality detailed in Schedule 15 include:

- Introduction of a new pavement management system;
- Continued monthly airbridge forums;
- Baggage system performance improvements such as improved baggage tracking;
- A passenger to gate project aimed at identifying opportunities to influence passenger behaviour and improve on time performance for airlines;
- Scoping of a project to enhanced passenger tracking and counting;
- FIDs optimisation and multi-language messaging;
- e-learning initiatives to make it easier for staff of all organisation working in the international or domestic terminal building to more efficiently meet their training requirements;
- Acquisition of Metjet to support improved weather prediction capability;
- There is an initiative to improve the efficiency of ground service parking to allow better utilisation of space and better flows in the container park. This may be rolled out more extensively in FY14; and
- Installation of scissor support to assist the use of ground power units.

Investments for the future

- In FY13 Auckland Airport has scoped, tendered and contracted the replacement of a core operating system, the Aeronautical Operational System ("**AOS**"). This is the foundation platform into which all aeronautical related systems connect. It is therefore a critical enabler of improvements in end to end airport processes. The existing system is at the end of its life and needs replacement. The new system is intended to facilitate real-time data exchange between a number of systems and stakeholders allowing for more collaborative, timely decisions to be made that directly impact on airline on time performance. Aeronautical business objectives are directly focussed on delivering an outstanding passenger experience, enabling efficiencies for airlines, improving capacity management and asset utilisation and informing aeronautical product development. Detailed design and delivery of AOS will occur in FY14.
- Auckland Airport is involved in a collaborative project with Airways and Air New Zealand which seeks to improve capacity of the southern runway.

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 competitiveness and reasonableness of charges.

Finally, 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 realistic that the forecast would not 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 in the last 12 months

The following table summarises returns relative to the input methodology benchmark.

Year	Benchmark range at the time of pricing ²		Post tax cost of capital determination for 2013 disclosure year		Post tax return per input methodologies
	50 th percentile	75 th percentile	50 th percentile	75 th percentile	
s56G Forecast	7.1%	8.0%			7.9%
2013			6.49% ³	7.48%	6.46%

The actual aeronautical return for FY13 is consistent with the Commission's estimate of a normal return and within the range considered acceptable at the time of pricing. It is less than targeted, largely due to investments made for future growth.

The returns set out above:

- include a revaluation estimate in accordance with the Input Methodologies, however prices have been set on an asset base which include no forecast revaluations
- exclude the value of land held for the future second runway and expansion of aircraft and freight. No return is being earned on these assets prudently being held for future use, which have a carrying value of \$216 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.

“Fairness” or “competitiveness of charges”

The most recent report on international charges by international aviation consultants, Leigh Fisher, was conducted in April 2013⁴. According to Leigh Fisher, Auckland Airport's international

² Cost of capital determination for information disclosure year 2012 for Transpower, gas pipeline businesses and suppliers of specified airport services (with a June year-end), Commerce Commission, page 3

³ 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

aeronautical charges are just above average compared with “in the middle of the pack” a year earlier. The small shift in competitiveness is partly attributable to the adverse shift in exchange rates over the twelve month period.

These competitive charges have been achieved while providing excellent levels of service, as indicated by being named the 12th best airport in the world and the best airport in Australia Pacific for the fifth year in a row.

⁴ <http://www.aucklandairport.co.nz/~media/Files/Corporate/Aeronautical%20International%20Pricing%202013.pdf>

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5	<u>REPORT ON RELATED PARTY TRANSACTIONS</u>
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16	<u>REPORT ON ASSOCIATED STATISTICS</u>
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Disclosure Template Guidelines for Information Entry

Internal consistency check

Templates

The templates contained in this workbook are intended to reflect the specified airport disclosure requirements set out in Schedules 1–17 inclusive 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 is 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
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT

ref Version 2.0

(\$000 unless otherwise specified)

6 **1a: Return on Investment**

		CY-2 *	CY-1 *	Current Year CY
	for year ended	30 Jun 11	30 Jun 12	30 Jun 13
8	Return on Investment (ROI)			
9	Regulatory profit / (loss)	141,975	78,508	76,083
10	less Notional interest tax shield	3,914	3,431	2,829
11	Adjusted regulatory profit	138,062	75,077	73,254
12	Regulatory investment value	1,091,751	1,142,121	1,134,191
13				
14	ROI—comparable to a post tax WACC (%)	12.65%	6.57%	6.46%
15	Post tax WACC (%)	8.06%	7.56%	6.49%
16				
17	ROI—comparable to a vanilla WACC (%)	13.00%	6.87%	6.71%
18	Vanilla WACC (%)	8.40%	7.86%	6.75%

19 **Commentary on Return on Investment**

20 Schedule 1 reports on Auckland Airport's return on investment (ROI) on its regulated activities compared with the
 21 Commerce Commission's WACC estimates for the years ended 30 June 2011-2013 (FY11-FY13). Auckland Airport's
 22 FY13 post-tax ROI of 6.46% is less than the Commerce Commission's published mid-point WACC estimate of 6.49% for
 23 FY13 and is well below its 75th percentile post-tax WACC estimate of 7.48%. The Commerce Commission uses a range
 24 for WACC between the 50th and 75th percentile to assess an acceptable range for returns in setting aeronautical prices.
 25
 26 We note that the Commission's WACC calculation for FY13 incorporates a risk free interest rate (on 5 year government
 27 bonds) at historic lows and more than two percentage points below the prevailing government bond rates before the
 28 Global Financial Crisis took hold in late calendar 2008. The Commission's calculated WACC is expected to rise over
 29 future years as global interest rates normalise. The Commission's published post-tax WACC estimates for the FY14
 30 disclosure year (published on 31 July 2013) already reflect this trend, rising to 6.77% at the mid-point and 7.75% at the
 31 75th percentile.
 32
 33 Auckland Airport's regulated post-tax returns for both FY12 and FY13 were lower than FY11, mainly owing to that year
 34 including a market revaluation of land in regulatory profit. Because Auckland Airport did not revalue land in FY12 and
 35 FY13, only CPI-indexed revaluations are included for those financial years.
 36
 The Commerce Commission's prescribed ROI calculation for the disclosure reporting above differs in one main area to
 the approach used by Auckland Airport during consultation on the aeronautical price path for FY13-FY17. No
 revaluations were assumed for forecasting ROI under price setting, whereas the disclosure rules prescribing the annual
 ROI calculation above includes mandatory periodic land and fixed asset revaluations.
 The Commerce Commission recently 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 and found that "information
 disclosure regulation has had a positive influence on Auckland Airport's behaviour. Notably, it has been effective in
 limiting Auckland Airport's ability to extract excessive profits". "Auckland Airport's targeted return of 8% per annum for the
 2013-2017 pricing period, is just within our estimate of an acceptable range of returns of 7.1% to 8.0%".
 The Commerce Commission's analytical approach for its review broadly reflected Auckland Airport's price consultation
 analysis. In particular it excluded asset revaluations over FY13-FY17 from reported returns and from the regulated asset
 base. This reflects the financial modelling approach agreed by Auckland Airport, major airlines and their representatives
 (at their request) for FY13-FY17 as well as the previous (FY07-FY12) pricing period.

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

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT (cont)

ref Version 2.0

(\$000 unless otherwise specified)

43 **1b: Notes to the Report**

44 **1b(i): Deductible Interest and Interest Tax Shield**

45	RAB value - previous year	1,119,428
46	Debt leverage assumption (%)	17%
47	Cost of debt assumption (%)	5.31%
48	Notional deductible interest	10,105
49	Tax rate (%)	28.0%
50	Notional interest tax shield	2,829

51 **1b(ii): Regulatory Investment Value**

52	Regulatory asset base value - previous year	1,119,428
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		Assets Commissioned— RAB Value (\$000)	Proportion of Year Available (%)	Proportionate Regulatory Value
53	Commissioned Projects			
54	Concrete runway and apron replacement	3,233	25%	806
55	Taxiway Lima	15,666	8%	1,288
56				–
57				–
58				–
59				–
60				–
61				–
62				–
63	plus Other assets commissioned	25,287	50%	12,643
64	plus Adjustment for merger, acquisition or sale activity	–	–	–
65	less Asset disposals	(53)	50%	(27)
66	RAB investment	44,239		
67	RAB proportionate investment			14,764
68				
69	Regulatory investment value			1,134,191

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

ref Version 2.0

6 **2a: Regulatory Profit**

7 Income			(5000)
8	Airfield	81,573	
9	Passenger Services Charge	120,242	
10			
11			
12	Lease, rental and concession income	26,362	
13	Other operating revenue	2,252	
14	Net operating revenue		230,429
15			
16	Gains / (losses) on sale of assets	(0)	
17	Other income		
18	Total regulatory income		230,429
19	Expenses		
20	reports on Operational expenditure:		
21	Corporate overheads	32,565	
22	Asset management and airport operations	20,550	
23	Asset maintenance	32,250	
24	Total operational expenditure		85,365
25			
26	Operating surplus / (deficit)		145,065
27			
28	Regulatory depreciation		46,142
29			
30	plus Indexed revaluation	7,653	
31	plus Non-indexed revaluation	-	
32	Total revaluations		7,653
33			
34	Regulatory Profit / (Loss) before tax & allowance for long term credit spread		106,576
35			
36	less Allowance for long term credit spread		119
37			
38	Regulatory Profit / (Loss) before tax		106,457
39			
40	less Regulatory tax allowance		30,374
41			
42	Regulatory Profit / (Loss)		76,083

43 **Commentary on Regulatory Profit**

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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 for detailed breakdown of Qualifying Debt and Allowance for Long Term Credit Spread calcs.					872,446	1,442	169	(904)
						1,442	169	(904)

706

Attribution Rate (%) 16.89%

Allowance for long term credit spread 119

2b(ii): Financial Incentives

			(\$000)
Pricing incentives		108	
Other incentives		9,184	
Total financial incentives			9,292

2b(iii): Rates and Levy Costs

			(\$000)
Rates and levy costs			3,708

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 2013 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	Q = (A+B+C)xD
A	B	C	D	
1,441,601	168,652	(904,170)	16.89%	119,258

A - Term credit Spread Difference

Issue date	Maturity date	Book value of the qualifying debt at issue date	Term Credit Spread Difference	Original Issue Tenor	Qualifying Debt?
12-Jan-09	0.00150	50,000,000	75,000	5.1 yrs	1.0 Bonds
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
26-Oct-11	0.00150	57,000,000	85,500	3.3 yrs	0.0 Commercial Paper
14-Nov-11	0.00150	25,000,000	37,500	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	47,270,149	70,905	3.3 yrs	0.0 CBA Bank Facility
14-Nov-11	0.00150	125,000,000	187,500	4.3 yrs	0.0 Bank of Tokyo Bank Facility
14-Sep-12	0.00150	47,270,149	70,905	5.0 yrs	1.0 BNZ Multicurrency 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		872,446,192	1,441,601	6.9 yrs	1.0
		1,126,716,341	1,823,006		

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?
12-Jan-09	28-Feb-14	50,000,000	6.5674%	4.5150%	6.5674%	4.5150%	-	5.1 yrs	1.0 Bonds
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	7.1753%	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%	3.2323%	0.00239	7.0 yrs	1.0 Bonds
26-Oct-11	31-Jan-15	57,000,000	4.7107%	3.3800%	5.4329%	3.9150%	-0.00187	3.3 yrs	0.0 Commercial Paper
14-Nov-11	10-Mar-16	25,000,000	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	47,270,149	4.7107%	3.3800%	5.4329%	3.9150%	-0.00187	3.3 yrs	0.0 CBA Bank Facility
14-Nov-11	10-Mar-16	125,000,000	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	47,270,149	5.0999%	3.2129%	5.0999%	3.2129%	-	5.0 yrs	1.0 BNZ Multicurrency 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		872,446,192							
		1,126,716,341							

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?
12-Jan-09	28-Feb-14	50,000,000	0.0044%	2,216	5.1 yrs	1.0 Bonds
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
26-Oct-11	31-Jan-15	57,000,000	0.0149%	8,517	3.3 yrs	0.0 Commercial Paper
14-Nov-11	10-Mar-16	25,000,000	0.0106%	2,661	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	47,270,149	0.0149%	7,063	3.3 yrs	0.0 CBA Bank Facility
14-Nov-11	10-Mar-16	125,000,000	0.0106%	13,306	4.3 yrs	0.0 Bank of Tokyo Bank Facility
14-Sep-12	14-Sep-17	47,270,149	0.0191%	9,046	5.0 yrs	1.0 BNZ Multicurrency 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		872,446,192		168,652		
		1,126,716,341		200,200		

C - Notional debt issue cost readjustment

Issue date	Maturity date	Original tenor of qualifying debt	Book value of the qualifying debt at issue date	Q = ((1.75%/A)-0.35%)xB	Original Issue Tenor	Qualifying Debt?
A	B					
12-Jan-09	28-Feb-14	5.13	50,000,000	(4,485)	5.1 yrs	1.0 Bonds
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
26-Oct-11	31-Jan-15	3.27	57,000,000	105,687	3.3 yrs	0.0 Commercial Paper
14-Nov-11	10-Mar-16	4.32	25,000,000	13,696	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	47,270,149	87,646	3.3 yrs	0.0 CBA Bank Facility
14-Nov-11	10-Mar-16	4.32	125,000,000	68,481	4.3 yrs	0.0 Bank of Tokyo Bank Facility
14-Sep-12	14-Sep-17	5.00	47,270,149	(91)	5.0 yrs	1.0 BNZ Multicurrency 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			872,446,192	(904,170)		
			1,126,716,341			

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	Q = (A*B)/C
A	B	C	
1,119,427,526	17%	1,126,716,341	16.89%

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref	Version 2.0			
6		3a: Regulatory Tax Allowance		(\$000)
7		Regulatory profit / (loss) before tax		106,457
8				
9		<i>plus</i> Regulatory depreciation	46,142	
10		Other permanent differences—not deductible	65	*
11		Other temporary adjustments—current period	8,006	*
12				54,213
13				
14		<i>less</i> Total revaluations	7,653	
15		Tax depreciation	28,368	
16		Notional deductible interest	10,105	
17		Other permanent differences—non taxable	-	*
18		Other temporary adjustments—prior period	6,067	*
19				52,193
20				
21		Regulatory taxable income (loss)		108,477
22				
23		<i>less</i> Tax losses used		
24		Net taxable income		108,477
25				
26		Statutory tax rate (%)	28.0%	
27		Regulatory tax allowance		30,374

* Workings to be provided

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 (\$6.8m) for employee leave, ACC, FBT, and staff incentives; and other accruals and provisions (\$2.3m) 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 (\$4.6m) and other accruals and provisions (\$1.5m).

3b(ii): Tax Depreciation Roll-Forward

43				(\$000)
44		Opening RAB (Tax Value)	550,439	
45		<i>plus</i> Regulatory tax asset value of additions	11,987	
46		<i>less</i> Regulatory tax asset value of disposals	246	
47		<i>plus</i> Regulatory tax asset value of assets transferred from/(to) unregulated asset base	25,967	
48		<i>less</i> Tax depreciation	28,368	
49		<i>plus</i> Other adjustments to the RAB tax value	(6,460)	
50				553,319
51		Closing RAB (tax value)		

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

52				(\$000)
53		Tax losses (regulated business)—prior period	-	
54		<i>plus</i> Current year tax losses	-	
55		<i>less</i> Tax losses used	-	
56				-
57				
58		Tax losses (regulated business)		-

Regulated Airport
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Auckland International Airport Limited
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SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

ref Version 2.0

	Unallocated RAB *		RAB	
	(\$000)	(\$000)	(\$000)	(\$000)
RAB value—previous disclosure year		1,335,742		1,119,428
<i>less</i>				
Regulatory depreciation		57,348		46,142
<i>plus</i>				
Indexed revaluations	9,131		7,653	
Non-indexed revaluations	—		—	
Total revaluations		9,131		7,653
<i>plus</i>				
Assets commissioned (other than below)	58,235		44,186	
Assets acquired from a regulated supplier	—		—	
Assets acquired from a related party	—		—	
Assets commissioned		58,235		44,186
<i>less</i>				
Asset disposals (other)	(49)		(53)	
Asset disposals to a regulated supplier	—		—	
Asset disposals to a related party	—		—	
Asset disposals		(49)		(53)
<i>plus</i>				
Lost and found assets adjustment		(118)		—
Adjustment resulting from cost allocation				659
RAB value †		1,345,692		1,124,519

Commentary

Negative disposals
The 2012 disclosure reporting had a minor overstatement of disposals of \$70k. A correction has been put through this year against disposals. As current year actual disposals total less than this correction it results in a small negative balance for asset disposals.

Lost & Found Assets
During the year certain assets are split and/or merged. During this process assets that were previously categorised as aeronautical can become non-aeronautical and vice-versa. This results in assets being transferred into or out of the Unallocated RAB (as well as corresponding movements in RAB). These have been recorded as "Lost and found asset adjustment" under the Unallocated RAB and as "Adjustments resulting from cost allocation changes" under the RAB breakdown.

Adjustments resulting from cost allocation
There have been no changes to the approach used for assigning allocation codes to assets. The "Adjustments resulting from cost allocation" have arisen due to:
1) Changes in the allocation rule percentages (-\$1.9M); and
2) Transfers amongst existing land/building assets per the Lost & Found point above (+\$1.3M)

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

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

4b: Notes to the Report

4b(i): Regulatory Depreciation

	Unallocated RAB (\$000)	RAB (\$000)
Standard depreciation	57,348	46,142
Non-standard depreciation	—	—
Regulatory depreciation	57,348	46,142

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Auckland International Airport Limited
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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)	1,168
CPI at CPI reference date—current year (index value)	1,176
Revaluation rate (%)	0.68%

	Unallocated RAB		RAB	
RAB value—previous disclosure year		1,335,742		1,119,428
less Revalued land	–		–	
less Assets with nil physical asset life	2,609		2,184	
less Asset disposals	(49)		(53)	
less Lost asset adjustment	–		–	
Indexed revaluation		9,131		7,653

4b(v): Works Under Construction

	Unallocated works under construction		Allocated works under construction	
Works under construction—previous disclosure year		66,481		50,961
plus Capital expenditure	54,503		50,703	
less Asset commissioned	58,235		44,186	
less Offsetting revenue	–		–	
plus Adjustment resulting from cost allocation				42
Works under construction		62,750		57,520

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

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104 **4b(vi): Capital Expenditure by Primary Purpose**

105	Capacity growth	29,114	
106	plus Asset replacement and renewal	21,589	
107	Total capital expenditure		50,703

108 **4b(vii): Asset Classes**

	Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *	
109						
110	RAB value—previous disclosure year	357,284	222,126	526,368	13,650	1,119,428
111	less Regulatory depreciation	–	10,132	29,906	6,104	46,142
112	plus Indexed revaluations	2,447	1,516	3,604	85	7,653
113	plus Non-indexed revaluations	–	–	–	–	–
114	plus Assets commissioned	–	18,899	22,619	2,667	44,186
115	less Asset disposals	–	20	10	(84)	(53)
116	plus Lost and found assets adjustment	–	–	–	–	–
117	plus Adjustment resulting from cost allocation	(1,173)	0	436	78	(659)
118	RAB value	358,559	232,389	523,111	10,460	1,124,519

* Corresponds to values in RAB roll forward calculation.

119 **4b(viii): Assets Held for Future Use**

	Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total	
120						
121	Assets held for future use—previous disclosure year	171,756	48,964	(3,233)	(25,873)	198,080
122	plus Assets held for future use—additions ¹	–	16,787	(1,201)	1,199	19,187
123	less Transfer to works under construction	–	–	–	–	–
124	less Assets held for future use—disposals	–	–	–	–	–
125	Assets held for future use ²	171,756	65,752	(4,434)	(24,674)	217,268

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

127	Highest rate of finance applied (%)	8.475%
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Regulated Airport
For Year Ended

Auckland International Airport Limited
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SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

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5(i): Related Party Transactions

(\$000)

Net operating revenue	-
Operational expenditure	4,570
Related party capital expenditure	132
Market value of asset disposals	-
Other related party transactions	7,201

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 for the year ended 30 June 2013.
City Park Services	Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council.
Watercare	Auckland Airport also receives water, waste water and compliance services from Watercare, a 100% subsidiary of Auckland Council.
Other - key management personnel	Key management personnel

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	2,054
Auckland Council	Compliance, consent fees and other government regulatory obligations	N/A	173
City Park Services	Grounds maintenance for the regulated business	N/A	1,315
Watercare	Water, wastewater and compliance services for the regulated business	N/A	1,160
Key management personnel	Remuneration of directors and the senior management team	N/A	7,201

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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 2013 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 2013 there were no transactions with the Airport Business.

Queenstown Airport is an associate entity of the company. During the year ended 30 June 2013 there were no transactions with 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 2013. Rates of \$2.054 million (2012: \$1.828 million) and compliance, consent costs and other local government regulatory obligations of \$0.173 million (2012: \$0.043 million) were incurred for the year ended 30 June 2013 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 2013 grounds maintenance costs of \$1.315 million (2012: \$1.053 million) were incurred by the Airport Business. The ground maintenance contract consists of various work across the airport and the annual contract value is \$1.869 million (2012: \$1.523 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 2013 watercare costs of \$1.160 million (2012: \$0.897 million) were incurred.

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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 2013 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

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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.

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For the year ended 30 June 2013, the Airport Business has not made any allowance for impairment loss relating to amounts owed by related parties.

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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
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SCHEDULE 6: REPORT ON ACTUAL TO FORECAST EXPENDITURE

ref Version 2.0

6a: Actual to Forecast Expenditure

(\$'000)						
Expenditure by Category	Actual for	Forecast for	% Variance (a)/(b)-1	Actual for	Forecast for	% Variance (a)/(b)-1
	Current Disclosure Year (a)	Current Disclosure Year* (b)		Period to Date (a)	Period to Date* (b)	
Capacity growth	29,114	48,365	(39.8%)	29,114	48,365	(39.8%)
Asset replacement and renewal	21,589	17,220	25.4%	21,589	17,220	25.4%
Total capital expenditure	50,703	65,585	(22.7%)	50,703	65,585	(22.7%)
Corporate overheads	32,565	24,466	33.1%	32,565	24,466	33.1%
Asset management and airport operations	20,550	22,000	(6.6%)	20,550	22,000	(6.6%)
Asset maintenance	32,250	30,903	4.4%	32,250	30,903	4.4%
Total operational expenditure	85,365	77,369	10.3%	85,365	77,369	10.3%
Key Capital Expenditure Projects						
Short term capacity enhancements (DTB)	7,535	11,138	(32.3%)	7,535	11,138	(32.3%)
Baggage Reclaim Expansion (RECLAIM 1)	-	221	(100.0%)	-	221	(100.0%)
BHS feed expansion (or BHS 2)	-	-	Not defined	-	-	Not defined
Check in project	-	552	(100.0%)	-	552	(100.0%)
ITB Forecourt Reconfiguration (or FC3)	-	-	Not defined	-	-	Not defined
Landside ground floor capacity enhancement	-	-	Not defined	-	-	Not defined
New Stand 1	-	-	Not defined	-	-	Not defined
New Stand 2	-	-	Not defined	-	-	Not defined
Taxilane 1	-	-	Not defined	-	-	Not defined
Pier B ground boarding project (or PIERB 1)	-	-	Not defined	-	-	Not defined
Asphalt apron replacement	545	552	(1.2%)	545	552	(1.2%)
Concrete runway and apron replacement	3,193	5,520	(42.2%)	3,193	5,520	(42.2%)
ITB Airbridge refurbishment	2,365	1,767	33.9%	2,365	1,767	33.9%
Taxiway Lima	15,038	21,534	(30.2%)	15,038	21,534	(30.2%)
Other capital expenditure	22,027	24,300	(9.4%)	22,027	24,300	(9.4%)
Total capital expenditure	50,703	65,584	(22.7%)	50,703	65,584	(22.7%)

Explanation of Variances

Operational Expenditure

The percentage increase in Auckland Airport's regulated operating expenditure vs the prior year (+7.2%) was less than the increase in total company operational expenditure (+9.4%) in the year ended 30 June 2013. As a listed company Auckland Airport is incentivised externally to deliver cost efficiencies across its business. This indicates that Auckland Airport are achieving greater operational expenditure efficiencies in its regulated activities than its total business activities (regulated and non-regulated).

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 costs are incurred. The asset maintenance cost category variance shown above therefore includes not only the 'pure' \$0.7 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 \$8.0m (+10.3%) more than pricing forecasts for the year ended 30 June 2013. This increase fell almost entirely within the Corporate Overhead cost category (+\$8.1m) with savings in Asset Management & Operations (-\$1.5m) offsetting higher than priced costs in Asset Maintenance (+\$1.3m).

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

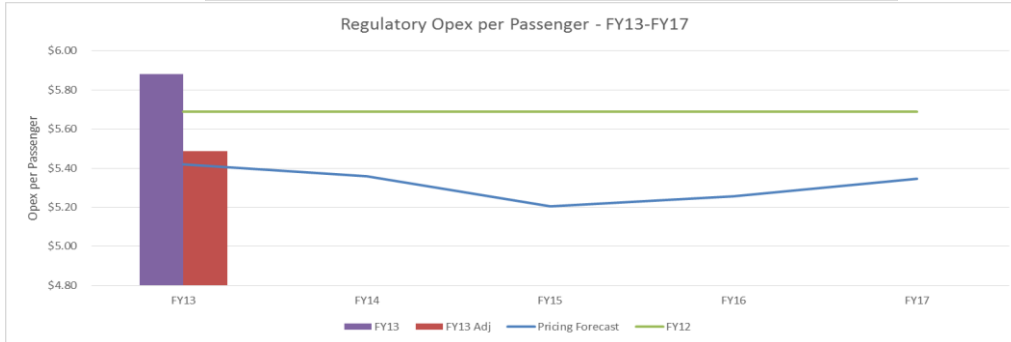
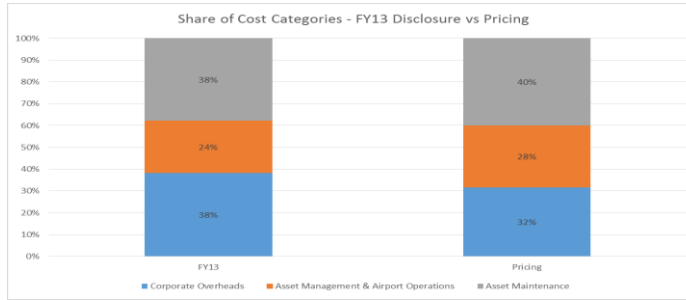
a) Contractual commitments on long term incentives relating to share price;

b) Investment in marketing and promotions above pricing forecasts (as intended). Marketing and promotions 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 1.7% higher in the year ended 30 June 2013, this was led by a 4.9% increase in domestic passengers. International passenger volumes were slightly less than pricing, however we have seen strong international passenger growth in the first quarter of the year ending 30 June 2014. 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	FY13 Variance Explanation
Personnel Costs	\$2.6m	Personnel costs were \$2.6m more than pricing in FY13. The variance was driven by a \$4.6m increase in personnel cost within the Corporate Overheads cost category predominantly due to the contractual revaluation of the Long Term Incentive (bonus) plan based on the increase in the company's share price in 2013. This was partly offset by personnel cost savings of \$1.5m in Asset Management and Operations and \$0.5m in Asset Maintenance.
Marketing, Promotions & PR	\$2.4m	Marketing, Promotions and PR costs were \$2.4m more than pricing in FY13. This variance sits 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 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 73% allocation for non-airline specific costs.
Consultancy, Audit & Legal	\$1.8m	Consultancy, Audit & Legal costs were \$1.8m more than pricing in FY13. The main reasons for increased costs in FY13 were higher than expected consultancy and legal costs in relation to the section 56g submission and merits appeal, both relating to the aeronautical regulatory regime. The majority of this variance sits within the Corporate Overheads cost category.
Repairs & Maintenance	\$0.7m	Repairs & Maintenance (R&M) costs were \$0.7m more than pricing in FY13. R&M costs all fall within the Asset Maintenance cost category. There were no single items that were the main driver of the variance. The most significant unexpected item was \$0.2m of costs relating to the need for a stand-by helicopter due to damage to the hovercraft.
Other	\$0.5m	
Total Variance	\$8.0m	

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Top-line operating costs grew by \$5.7m in FY13. This increase was attributable to the contractual revaluation of the long term incentive plan and increased route development costs discussed above. After adjusting for these items, operating costs were contained at \$79.7m, consistent with FY12. Overall for FY13, after controlling for the two operating cost items described above, cost efficiencies were incurred on a per passenger basis. In FY12 operating costs per passenger were \$5.68. Auckland Airport forecast operating cost efficiencies and a target operating cost per passenger of \$5.42 in its pricing. In practice operating costs per passenger of \$5.49 were achieved in FY13.

Capital Expenditure

Total regulated capital expenditure was \$14.9m less than pricing for the year ended 30 June 2013. This variance was principally driven by capital efficiencies, achieved through strong procurement processes and a refreshed approach to the condition monitoring and work scheduling associated with runway and concrete replacement. In addition to this, Auckland Airport has adopted a conservative approach towards capital investment whilst considering the location of increased domestic terminal capacity by not commencing works that would be impacted by the location of expanded terminal facilities.

Our innovative approach has been demonstrated through the provision of dual boarding facilities on pier A, optimising stand flexibility and providing further code F capability without undertaking significant capital investment that other options such as the early development of Pier B would incur. Taxiway Lima represents an efficient procurement approach aligned with favourable market conditions, resulting in a significantly lower out turn cost than would otherwise have been achieved. The efficiency was achieved by way of a collaborative two stage tender process approach and has enabled the repurposing of these funds towards further operational improvements.

In conjunction with the innovation in capital efficiency, Auckland Airport has reviewed its condition assessment methodology in line with best international practice for runway and concrete replacement, resulting in an improved and more efficient operational risk managed. This has eventuated in the implementation of a new system (Micro paver) to forecast replacement requirements over time. Through the adoption of this system Auckland Airport has been able to refocus the capital replacement plan which will ultimately lead to capital efficient spend over the 5 year pricing period and beyond.

A late start on the short term capacity enhancements at the domestic terminal meant that not all the planned costs were incurred in 2013. This is a timing difference only and the full costs are expected to be spent by the end of the 2014 disclosure year.

Project	Actual	Pricing	Commentary
Short term capacity enhancements (DTB)	7,535	11,138	o The underspend is a timing difference as stage 1 of the DTB capacity enhancement took longer than initially planned. This is a timing difference only and it is expected that the full project CAPEX (est. \$29M) will come in only slightly under the priced capex (\$31.8M) by the end of FY14.
Baggage Reclaim Expansion (RECLAIM 1)	-	221	o A northern domestic terminal facility was initially proposed to be developed. At that time our principal customer proposed a southern alternative. During the time it has taken to consider that alternative as part of the Auckland Airport Master Plan, 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 underspend will be repurposed across FY14 – FY17 based on a finalised Master Plan which will also seek to enable the pathway to realisation of the Master Plan.
Check in project	-	552	o As per explanation above.
Asphalt apron replacement	545	552	o On budget
Concrete runway and apron replacement	3,193	5,520	o The Micro paver system was adopted in FY13 and has been used in the assessment of runway condition, and subsequently establishing slab replacement requirements. Auckland Airport has been able to refocus the capital replacement plan which will ultimately lead to capital efficient spend over the 5 year pricing period. While the spend in FY13 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.
ITB Airbridge refurbishment	2,365	1,767	o This overspend relates to early works for the provision of dual boarding facilities at gate for the benefit of all airline operators.
Taxiway Lima	15,038	21,534	o The construction of a north south taxiway from Bravo 9 to taxiway Kilo including stub connections to taxiway Mike and western apron and future northern ITF to ensure no disruption of LIMA operation when these are constructed. o Delivered under budget as a result of value engineering combined with favourable market conditions.
Other capital expenditure	22,204	24,300	ITB East Oversize Baggage System A northern domestic terminal facility was initially proposed to be developed. At that time our principal customer proposed a southern alternative. During the time it has taken to consider that alternative as part of the Auckland Airport Master Plan, 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 underspend will be repurposed across FY14 – FY17 based on a finalised Master Plan which will also seek to enable the pathway to realisation of the Master Plan. Security and Customs Reconfiguration o Deferred spend due to further modelling illustrating sufficient capacity with the existing layout until FY15. This deferral has been agreed with the joint border agencies, and BARNZ.

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Airport Companies must provide a brief explanation for any line item variance of more than 10%
* Disclosure year coincides with Pricing Period Starting Year + 0.

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

ref Version 2.0

144 **6b: Forecast Expenditure**

145 From most recent disclosure following a price setting event

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

147 Expenditure by Category	for year ended	Pricing Period	Pricing Period	Pricing Period	Pricing Period	Pricing Period
		Starting Year	Starting Year	Starting Year	Starting Year	Starting Year
		30 Jun 13	+ 1 30 Jun 14	+ 2 30 Jun 15	+ 3 30 Jun 16	+ 4 30 Jun 17
149 Capacity growth		48,365	64,863	40,175	15,667	27,515
150 Asset replacement and renewal		17,220	17,910	16,205	21,226	20,605
151 Total forecast capital expenditure		65,585	82,773	56,379	36,893	48,120
152						
153 Corporate overheads		24,466	23,577	21,199	21,239	21,860
154 Asset management and airport operations		22,000	23,064	23,948	25,261	26,558
155 Asset maintenance		30,903	32,535	34,408	36,411	38,324
156 Total forecast operational expenditure		77,369	79,176	79,555	82,911	86,742
157						
158 Key Capital Expenditure Projects	for year ended	Pricing Period	Pricing Period	Pricing Period	Pricing Period	Pricing Period
		Starting Year	Starting Year	Starting Year	Starting Year	Starting Year
		30 Jun 13	+ 1 30 Jun 14	+ 2 30 Jun 15	+ 3 30 Jun 16	+ 4 30 Jun 17
159 Short term capacity enhancements (DTB)		11,138	20,732	12	–	–
160 Baggage Reclaim Expansion (RECLAIM 1)		221	10,993	–	–	–
161 BHS feed expansion (or BHS 2)		–	–	6,028	6,343	–
162 Check in project		552	3,223	3,375	–	–
163 ITB Forecourt Reconfiguration (or FC3)		–	–	–	4,702	9,712
164 Landside ground floor capacity enhancement		–	–	–	2,425	13,674
165 New Stand 1		–	10,119	–	–	–
166 New Stand 2		–	–	11,750	–	–
167 Taxilane 1		–	11,244	–	–	–
168 Pier B ground boarding project (or PIERB 1)		–	–	15,275	–	–
169 Asphalt apron replacement		552	577	2,411	627	326
170 Concrete runway and apron replacement		5,520	6,922	3,617	6,269	6,520
171 ITB Airbridge refurbishment		1,767	1,615	965	502	391
172 Taxiway Lima		21,534	–	–	–	–
173 Other capital expenditure		24,300	17,347	12,946	16,025	17,497
174 Total forecast capital expenditure		65,584	82,773	56,379	36,893	48,120

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Regulated Airport
For Year EndedAuckland International Airport Limited
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SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref Version 2.0

		(\$000)			
	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*	
6	Airfield	–	81,573	–	81,573
7	Passenger Services Charge	120,242	–	–	120,242
8		–	–	–	–
9		–	–	–	–
10		–	–	–	–
11		–	–	–	–
12	Lease, rental and concession income	14,484	1,308	10,571	26,362
13	Other operating revenue	729	363	1,160	2,252
14	Net operating revenue	135,455	83,243	11,731	230,429
15		–	–	–	–
16	Gains / (losses) on asset sales	–	(0)	–	(0)
17	Other income	–	–	–	–
18	Total regulatory income	135,455	83,243	11,731	230,429
19		–	–	–	–
20	Total operational expenditure	58,815	23,287	3,263	85,365
21		–	–	–	–
22	Regulatory depreciation	29,475	15,242	1,425	46,142
23		–	–	–	–
24	Total revaluations	2,953	4,286	413	7,653
25		–	–	–	–
26	Allowance for long term credit spread	46	67	6	119
27		–	–	–	–
28	Regulatory tax allowance	15,233	13,105	2,036	30,374
29		–	–	–	–
30	Regulatory profit/ loss	34,840	35,829	5,414	76,083
31		–	–	–	–
32	Regulatory investment value	437,107	636,575	60,509	1,134,191

* 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 2013 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 FY13 post tax ROI for the entire airport business versus WACC. The estimated distribution of Auckland Airport's average post-tax FY13 ROI of 6.5% across the regulated segments is as follows: 7.7% Passenger Terminal, 5.4% Airfield and 8.7% 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 EndedAuckland International Airport Limited
30 June 2013

SCHEDULE 8: CONSOLIDATION STATEMENT

ref Version 2.0

6 8a: CONSOLIDATION STATEMENT

	Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business- GAAP	Unregulated Activities- GAAP	(\$000) Airport Company- GAAP	
7						
8						
9	Net income	230,429	–	230,429	222,181	452,610
10						
11	Total operational expenditure	85,365	–	85,365	32,259	117,624
12						
13	Operating surplus / (deficit) before interest, depreciation, revaluations and tax	145,065	–	145,065	189,922	334,986
14						
15	Depreciation	46,142	1,622	47,764	14,289	62,053
16	Revaluations	7,653	(7,653)	–	23,091	23,091
17	Tax expense	30,374	(3,111)	27,262	50,271	77,534
18						
19	Net operating surplus / (deficit) before interest	76,202	(6,164)	70,038	148,452	218,491
20						
21	Property plant and equipment	1,124,519	425,144	1,549,663	1,470,584	3,020,247
22						

23 8b: NOTES TO CONSOLIDATION STATEMENT

24 8b(i): REGULATORY / GAAP ADJUSTMENTS

	Description of Regulatory / GAAP Adjustment	Affected Line Item	Regulatory / GAAP Adjustments *
25			(\$000)
26			
27	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 in 2012 and 2013.	Depreciation	1,622
28	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 valuation on non-land assets. There were no revaluations on property, plant and equipment for financial reporting purposes in 2013.	Revaluations	(7,653)
29	The regulatory/GAAP adjustment relates to the removal of deferred tax in the tax expense calculation and instead using a tax payable approach per the Input Methodologies determination.	Tax expense	(3,111)
30	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.	Property plant & equipment	425,144
31			
32			
33			
34			

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

Commentary on the Consolidation Statement

Depreciation

A part of the difference in depreciation in FY13 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 2013.

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 (\$23.091m increase). There was no revaluation of property, plant and equipment assets in 2013.

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 2013 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 Airport businesses do not recognise deferred tax movements as a tax payable approach is adopted per the Input Methodologies determinations.

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. The final differences relate to depreciation differences noted above.

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

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
7	Land						
8	Directly attributable assets	200	307,506	24,766	332,472		332,472
9	Assets not directly attributable	20,446	5,090	551	26,087	10,600	36,687
10	Total value land				358,559		
11	Sealed Surfaces						
12	Directly attributable assets	-	232,389	-	232,389		232,389
13	Assets not directly attributable	-	-	-	-	-	-
14	Total value sealed surfaces				232,389		
15	Infrastructure and Buildings						
16	Directly attributable assets	39,500	52,092	29,258	120,850		120,850
17	Assets not directly attributable	349,416	47,577	5,267	402,261	206,907	609,168
18	Total value infrastructure and buildings				523,111		
19	Vehicles, Plant and Equipment						
20	Directly attributable assets	1,135	1,328	-	2,462		2,462
21	Assets not directly attributable	5,817	1,987	194	7,998	3,667	11,664
22	Total value vehicles, plant and equipment				10,460		
23	Total directly attributable assets	40,835	593,315	54,023	688,173		688,173
24	Total assets not directly attributable	375,679	54,654	6,012	436,345	221,173	657,518
25	Total assets	416,515	647,968	60,036	1,124,519	221,173	1,345,692

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

34	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
35	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 and 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:	Space	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:	Space	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
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Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

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		
		Current Year		
		CY-1	(CY)	CY+1
		30 Jun 12	30 Jun 13	30 Jun 14
58	Asset category			
59	Original allocator or components	Original		
60	New allocator or components	New		
61	Rationale	Difference	-	-
62				
63	Asset category			
64	Original allocator or components	Original		
65	New allocator or components	New		
66	Rationale	Difference	-	-
67				
68	Asset category			
69	Original allocator or components	Original		
70	New allocator or components	New		
71	Rationale	Difference	-	-
72				
73	Asset category			
74	Original allocator or components	Original		
75	New allocator or components	New		
76	Rationale	Difference	-	-
77				
78	Asset category			
79	Original allocator or components	Original		
80	New allocator or components	New		
81	Rationale	Difference	-	-
82				
83	Asset category			
84	Original allocator or components	Original		
85	New allocator or components	New		
86	Rationale	Difference	-	-
87				
88	Asset category			
89	Original allocator or components	Original		
90	New allocator or components	New		
91	Rationale	Difference	-	-
92				

Commentary on Asset Allocations

Auckland Airports 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 to the allocation method used for assets. The change due to allocation rule changes shown in schedule 4 is explained in the notes accompanying schedule 4. These changes have not created a new asset allocator (as defined above).

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

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	
7	Corporate Overheads						
8	Directly attributable operating costs	1	-	-	1	1	
9	Costs not directly attributable	19,650	12,073	840	32,563	9,692	
10	Asset Management and Airport Operations						
11	Directly attributable operating costs	6,365	2,813	543	9,722	9,722	
12	Costs not directly attributable	6,310	3,453	1,065	10,828	12,159	
13	Asset Maintenance						
14	Directly attributable operating costs	23,261	2,685	578	26,525	26,525	
15	Costs not directly attributable	3,227	2,262	236	5,725	10,408	
16	Total directly attributable costs						36,248
17	Total costs not directly attributable						49,117
18	Total operating costs						117,624
19	Total costs						156,865
20	Total operating costs						117,624

Cost Allocators

Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
Asset Maintenance	Company-wide (terminal space & aeronautical revenue splits)	Proxy	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	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	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	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	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	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	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	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 applied to sealed areas.	Causal	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.

32	Asset Management & Airport Operations	Employee time split	Proxy	Predominately employee related costs	All costs lines within the AERO COMMERCIAL MANAGEMENT business unit except repairs and maintenance costs.
33	Asset Management & Airport Operations	Employee time split	Proxy	Predominately employee related costs	All costs lines within the ENVIRONMENT MANAGEMENT business unit except repairs and maintenance costs.
34	Asset Management & Airport Operations	Employee time split	Proxy	Predominately employee related costs	All costs lines within the POLICY MANAGEMENT business unit except repairs and maintenance costs.
35	Asset Management & Airport Operations	Employee time split	Proxy	Predominately employee related costs	All costs lines within the TRANSPORT MANAGEMENT business unit except repairs and maintenance costs.
36	Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy	Recovery on a network asset with company wide use.	All costs lines within the GAS LINE - PUHINUI RD BRIDGE business unit except repairs and maintenance costs.
37	Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy	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	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	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	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	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	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	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	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	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	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					

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref Version 2.0

Cost Allocators (cont)				
Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
Corporate Overheads	Employee time split	Proxy	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	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	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 maintenance costs.
Corporate Overheads	Employee time split	Proxy	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	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	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	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	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	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	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	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	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	Support function to the entire Company	All costs lines within the MANAGING DIRECTOR & BOARD business unit except repairs and maintenance costs.

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69	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy	Support function to the entire Company	All costs lines within the GOVERNMENT RELATIONS business unit except repairs and maintenance costs.
70	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy	Support function to the entire Company	All costs lines within the HUMAN RESOURCES business unit except repairs and maintenance costs.
71	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy	Nature of costs support company-wide use	All costs lines within the INTERNAL ELIMINATION business unit except repairs and maintenance costs.
72	Corporate Overheads	Split by R&M charges to internal BUs & then by BU allocation rules	Proxy	Predominately employee costs associated with maintenance of airport assets.	All costs lines within the ENGINEERING SUPPORT SERVICES business unit except repairs and maintenance costs.
73	Corporate Overheads	Aeronautical revenues split	Proxy	Costs associated with all aeronautical activities	All costs lines within the MERITS REVIEW business unit except repairs and maintenance costs.
74	Corporate Overheads	Aeronautical revenues split	Proxy	Costs associated with all aeronautical activities	All costs lines within the COMMERCE AMENDMENT ACT business unit except repairs and maintenance costs.
75	Corporate Overheads	Mix of aeronautical revenues split and company-wide rule.	Proxy	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.
76	Corporate Overheads	Aeronautical revenues split excluding aircraft and freight revenues	Proxy	Costs associated with both Airfield and Passenger Terminal Pricing	All costs lines within the AERONAUTICAL PRICING business unit except repairs and maintenance costs.
77	Asset Management & Airport Operations	70% terminal / 30% commercial	Proxy	Management fees paid to ADT to management public and commercial forecourt areas	Management Fees within the PSVL (TRANSPORT LICENCE) business unit.
78	Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal	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.
79	Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal	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.
80	Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal	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.
81	Asset Management & Airport Operations	Employee time split	Proxy	Salaries associated with management of investment properties as well as aircraft and freight facilities	Salary costs within the PROPERTY Management business unit.
82	Corporate Overheads	Insurance-specific company-wide allocation based on nature of activities insured	Proxy	Insurance premiums cover both aeronautical and non aeronautical activities	Insurance Premiums within the GENERAL COUNSEL & CO SECRETARY business unit.
83	Asset Maintenance	Various business unit allocation rules	Proxy	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 rules where the costs are incurred.	All Repairs and maintenance object codes within all business units.

84	Corporate Overheads	Aeronautical revenues / costs split excluding aircraft and freight revenues/expenses	Proxy	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.
	Asset Management & Airport Operations	Space based split based on area of building occupied by AIAL and external tenants	Proxy	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.
	Corporate Overheads	Employee time split	Proxy	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.
	Asset Management & Airport Operations	Aeronautical revenues split	Proxy	Costs associated with all aeronautical activities	All costs lines within the STATUTORY PLANNING business unit except repairs and maintenance costs.
	Asset Management & Airport Operations	Aeronautical revenues split	Proxy	Costs associated with all aeronautical activities	All costs lines within the AERO PERFORMANCE & PLANNING business unit except repairs and maintenance costs.
	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy	Support function to the entire Company	All costs lines within the CORPORATE OFFICE business unit except repairs and maintenance costs.
90 91	* A description of the metric used for allocation, e.g. floor space.				
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Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref Version 2.0

98 **10b: Notes to the Report**

99 **10b(i): Changes in Cost Allocators**

		Effect of Change (\$000)		
		CY-1	Current Year	CY+1
		30 Jun 12	30 Jun 13	30 Jun 14
102	Operating cost category	Asset Management & Airport Operations		
103	Original allocator or components	Property Direct		
104	New allocator or components	Space based split based on area of building occupied by AIAL and external tenants		
105	Rationale	All costs relating to the QUAD 5 business unit were previously allocated to property direct as the building was not available to Auckland Airport. Auckland Airport moved its management offices into this building in the year ended 30 June 2013 and as a result a new space based rule was developed to split costs between Auckland Airport occupied space and commercial tenant occupied space. Then, as a second level allocation, the Auckland Airport costs were allocated between regulated and non-regulated segments using the company wide rule.		
		Original		
		-	-	-
		New		
		0	96	115
		Difference		
		(0)	(96)	(115)
106	Operating cost category	Asset Management & Airport Operations		
107	Original allocator or components	Split of aeronautical activities undertaken by ground handler		
108	New allocator or components	Aircraft & Freight Direct		
109	Rationale	In FY12 a ground handler's business unit costs were allocated based on our estimated split of Menzies lease and licence revenues across the regulated and non-regulated segments. In FY13, Menzies' fee structure was substantially changed resulting in only Aircraft and Freight related revenues being earned by this business unit (ie ground lease). However this change had no impact on the overall cost allocation between regulated and non-regulated segments, it simply changed the regulated costs allocation to 100% aircraft and freight.		
		Original		
		8	11	13
		New		
		8	11	13
		Difference		
		-	-	-
111	Operating cost category	Asset Management & Airport Operations		
112	Original allocator or components	Employee time split		
113	New allocator or components	Aeronautical revenues split		
114	Rationale	Previously costs in the STATUTORY PLANNING business unit were allocated based on an estimate of the split of employee time between various activities in the particular reporting year. For FY13, the allocation methodology was changed to the Aeronautical Revenue Split rule to give a more stable and accurate allocation of costs incurred by this masterplanning business over the long-term.		
		Original		
		1	229	215
		New		
		1	353	331
		Difference		
		(0)	(123)	(116)
116	Operating cost category	Asset Management & Airport Operations		
117	Original allocator or components	Split of rental revenues between aeronautical and non-aeronautical activities		
118	New allocator or components	Split of rental revenues between aeronautical and non-aeronautical activities		
119	Rationale	The costs in a freight tenant's business unit are allocated using a split of rental revenues between aeronautical and non-aeronautical activities. A carpark rental stream previously regarded as aeronautical has been allocated to non-regulated segments in FY13 resulting in a reduction in the regulated share of this business unit's costs.		
		Original		
		48	50	51
		New		
		34	36	37
		Difference		
		13	14	14
121	Operating cost category			
122	Original allocator or components			
123	New allocator or components			
124	Rationale			
		Original		
		-	-	-
		New		
		-	-	-
		Difference		
		-	-	-
128	Operating cost category			
129	Original allocator or components			
130	New allocator or components			
131	Rationale			
		Original		
		-	-	-
		New		
		-	-	-
		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:

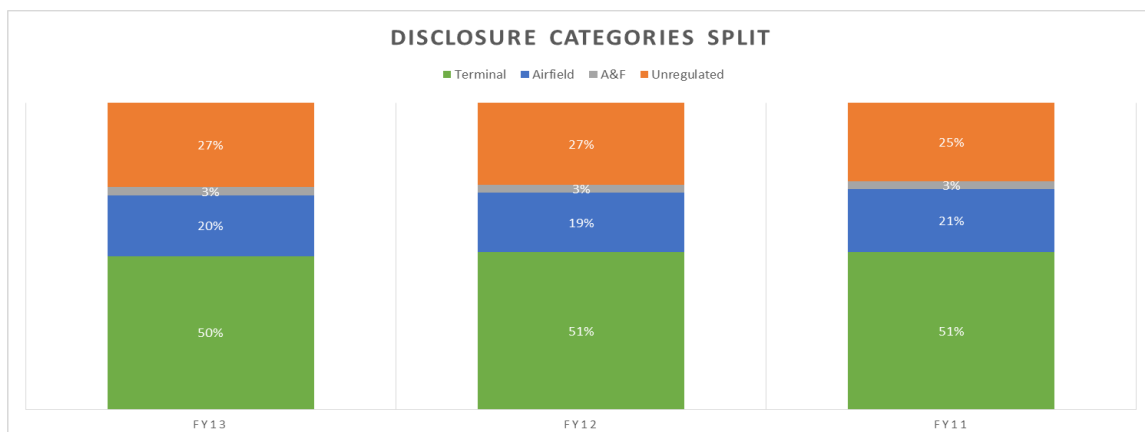
1. Identified the activities undertaken by each business unit;
2. Identified business units whose costs are attributable to a single regulated aeronautical activity and directly attributed those costs to those activities accordingly;
3. Identified business units whose costs are shared across more than 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 allocator table 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 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 process and cost allocation rules are highly consistent between the 2013, 2012 and 2011 financial years. The overall company costs allocated to regulated categories has been 73% for the last two financial years, slightly down from 75% in FY11. The disclosure category split is summarised graphically below:



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Auckland International Airport Limited
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SCHEDULE 11: REPORT ON RELIABILITY MEASURES

ref Version 2.0

	Number	Total Duration	
		Hours	Minutes
6 Runway			
The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8 Airports	-	-	-
9 Airlines/Other	-	-	-
10 Undetermined reasons	-	-	-
11 Total	-	-	-
12 Taxiway			
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			
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			
The number and duration of interruptions to contact stands during disclosure year by party primarily responsible			
26 Airports	46	111	15
27 Airlines/Other	23	19	07
28 Undetermined reasons	-	-	-
29 Total	69	130	22
30 Baggage sortation system on departures			
The number and duration of interruptions to baggage sortation system on departures during disclosure year by party primarily responsible			
32 Airports	16	45	45
33 Airlines/Other	6	6	04
34 Undetermined reasons	-	-	-
35 Total	22	51	49
36 Baggage reclaim belts			
The number and duration of interruptions to baggage reclaim belts during disclosure year by party primarily responsible			
38 Airports	2	5	01
39 Airlines/Other	-	-	-
40 Undetermined reasons	-	-	-
41 Total	2	5	01
42 On-time departure delay			
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	8	5	52
45 Airlines/Other	5	2	45
46 Undetermined reasons	-	-	-
47 Total	13	8	37

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Auckland International Airport Limited
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SCHEDULE 11: REPORT ON RELIABILITY MEASURES (cont)

ref Version 2.0

55 **Fixed electrical ground power availability (if applicable)**

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

1.24%

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

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58 **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 presented to key stakeholders. Actions are then identified to prevent re-occurrence of the interruption and to seek to continually improve the service provided to airlines and passengers.

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1. Interruptions

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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 not missed and that the systems and processes to minimise the risk of any interruption are tested and improved upon wherever possible.

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

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

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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 2013, the percentage of time that Auckland Airport's material services were available was as follows:

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Runway 100.0%
Taxiway 100.0%
Remote stands and means of embarkation/disembarkation 100.0%
Contact stands and air-bridges 99.9%
Baggage sortation system on departures 99.8%
Baggage reclaim belts 100.0%

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Total numbers of interruptions to material services reduced from over 200 in the year ended 2012 to less than 100 in the year ended 2013.

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. Auckland Airport has, to date, not received comprehensive information related to on-time performance from the airlines. This means that Auckland Airport cannot accurately determine whether an interruption related to a scheduled or unscheduled flight. Auckland Airport has decided to report all material interruptions, including those that impacted off-schedule flights. As a result, Auckland Airport is likely to have over reported material interruptions. Auckland Airport is currently working closely with the airlines to obtain detailed on-time performance information to enable a more accurate response to Appendix C.

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 has the capability to identify if 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 (that is, not all services during the outage were affected). 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, Auckland Airport has assessed when alternate air-bridges were available. Where appropriate, an adjustment was made if a fault occurred during peak times, when it was more likely that no alternative service would have been available. Conservatively, this adjustment was made to only two of the 69 air-bridge interruptions. Auckland Airport considers that, in this respect, the duration of the interruptions disclosed is very likely to overestimate the true interruption time according to the definition in Appendix C.

Notwithstanding the high availability of air-bridges, Auckland Airport is working through an air-bridge refurbishment and replacement programme to ensure required levels of services are maintained and in some cases enhanced for those air-bridges that are past their economic and useful life. This programme is expected to continue until FY18.

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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.

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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. Auckland Airport also performs a detailed review at the end of each month to match all

outages to off schedule flights. Ideally, Auckland Airport would be able to corroborate this information with on-time performance data from airlines. However, as noted earlier, Auckland Airport is currently in the process of working with airlines to obtain more accurate on-time performance information.

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3. Fixed electrical ground power unit (FEGP) availability

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

76

Installation of a scissor support to assist the use of ground power units (GPUs) for all aircraft without compromising the health and safety of ground handlers commenced during the year. The initial trial unit has proven successful and issues such as handling, time to deploy, traffic management and space around contact stands are being investigated before a full roll out strategy will be developed.

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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.

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Regulated Airport
For Year Ended**Auckland International Airport Limited**
30 June 2013**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
Description of main taxiway(s)	Name	Alpha	Bravo	Delta
	Length (m)	3,204	2,447	333
	Width (m)	45	24	23
	Status	Full length	Part length	Part length
	Number of links	11	10	4

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		8 March 2013
Runway busy hour start time (day/month/year hour)		3 May 2013 3 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	113	—	4	117
	Domestic jet	129	8	—	137
	Domestic turboprop	—	225	—	225
	Total	242	233	4	479
Other (including General Aviation)					14
Total aircraft movements during the runway busy day					493

Number of aircraft runway movements during the runway busy hour

39

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 instrument meteorological conditions varies between 20 and 40 movements per hour. The capacity depends on weather conditions and the particular runway mode of operation. The possible number of aircraft movements per hour declines as weather conditions worsen. This is because greater allowance is required for missed approaches. 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 has greater capacity than 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. During low visibility operations using RWY 23L, up to 20 aircraft movements per hour are possible.

Auckland Airport is continually assessing ways to increase its runway capacity and efficiency. Auckland Airport has experienced steady growth in traffic over the past decade, and this is predicted to continue into the foreseeable future. As congestion increases, the on time performance of airlines may be impacted, particularly at peak times. As part of the Airways Runway Capacity Enhancement group, Auckland Airport works with key stakeholders to investigate how runway capacity and efficiency can be increased to avoid congestion related issues.

In May 2013 a pamphlet was produced by Airways NZ in conjunction with the Runways Capacity Enhancement Group for all flight crew using Auckland Airport. This pamphlet provides a number of methods to help enhance runway capacity and achieve the highest possible rate per hour for arrivals and departures. Pilot cooperation is essential in this process to reduce delays and optimise runway utilisation. The group is also working on various other projects such as the introduction of new taxiway separations and default taxiways as well as a project to investigate ways for automatic frequency changes from ground to tower.

In the reported runway busy hour for the year, 39 aircraft runway movements were made. Over the year, there were 55 hours during which 39 or more aircraft runway movements were made compared to only 34 hours in the year ended 30 June 2012. This suggests that the runway is reaching operational maturity and that a second runway may be required over the medium term. Auckland Airport will continue to monitor and engage with key stakeholders to evaluate the appropriate timing of the need for a second runway.

On 2 July 2013, Auckland Airport completed construction of Taxiway Lima. Taxiway Lima aims to reduce congestion and delays to Taxiway Kilo, create a second access to Pier B and to provide future access to the north of Pier B. This will considerably improve airlines' ability to arrive and depart at peak times, reducing the possibility of delays. This taxiway will also provide additional holding points during low visibility operations.

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Auckland International Airport Limited
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SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES

ref Version 2.0

	International terminal	Domestic terminal	Common area †
6 Outbound (Departing) Passengers			
7 Landside circulation (outbound)			
8 Passenger busy hour for landside circulation (outbound)—start time (day/month/year hour)	2 Jan 2013 6 p.m.	1 Mar 2013 3 p.m.	N/A
9 Floor space (m ²)	5,384	1,600	N/A
10 Passenger throughput during the passenger busy hour (passengers/hour)	1,586	1,154	N/A
11 Utilisation (busy hour passengers per 100m ²)	29	72	
13 Check-in			
14 Passenger busy hour for check-in—start time (day/month/year hour)	2 Jan 2013 6 p.m.	1 Mar 2013 3 p.m.	N/A
15 Floor space (m ²)	4,598	1,028	N/A
16 Passenger throughput during the passenger busy hour (passengers/hour)	1,586	1,154	N/A
17 Utilisation (busy hour passengers per 100m ²)	34	112	
18 Baggage (outbound)			
19 Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	2 Jan 2013 6 p.m.	1 Mar 2013 3 p.m.	N/A
20 Make-up area floor space (m ²)	8,457	2,617	N/A
21 Notional capacity during the passenger busy hour (bags/hour)*	3,060	2,000	N/A
22 Bags processed during the passenger busy hour (bags/hour)*	1,471	889	N/A
23 Passenger throughput during the passenger busy hour (passengers/hour)	1,586	1,154	N/A
24 Utilisation (% of processing capacity)	48%	44%	
25 <i>* Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.</i>			
26 Passport control (outbound)			
27 Passenger busy hour for passport control (outbound)—start time (day/month/year hour)	2 Jan 2013 6 p.m.		
28 Floor space (m ²)	792		
29 Number of emigration booths and kiosks	27		
30 Notional capacity during the passenger busy hour (passengers/hour) *	2,208		
31 Passenger throughput during the passenger busy hour (passengers/hour)	1,586		
32 Utilisation (busy hour passengers per 100m ²)	200		
33 Utilisation (% of processing capacity)	72%		
34 <i>* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.</i>			
36 Security screening			
37 Passenger busy hour for security screening—start time (day/month/year hour)	2 Jan 2013 6 p.m.	18 Dec 2013 7 a.m.	
38 Facilities for passengers excluding international transit & transfer			
39 Floor space (m ²)	303	394	
40 Number of screening points	6	6	
41 Notional capacity during the passenger busy hour (passengers/hour) *	1,620	1,620	
42 Passenger throughput during the passenger busy hour (passengers/hour)	1,586	1,043	
43 Utilisation (busy hour passengers per 100m ²)	523	264	
44 Utilisation (% of processing capacity)	98%	64%	
45 Facilities for international transit & transfer passengers			
46 Floor space (m ²)	85		
47 Number of screening points	2		
48 Notional capacity during the passenger busy hour (passengers/hour)*	540		
49 Estimated passenger throughput during the passenger busy hour (passengers/hour)	10		
50 Utilisation (busy hour passengers per 100m ²)	12		
51 Utilisation (% of processing capacity)	2%		
52 <i>* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.</i>			

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

ref Version 2.0

	International terminal	Domestic terminal	Common area †
Airside circulation (outbound)			
Passenger busy hour for airside circulation (outbound)—start time (day/month/year hour)	2 Jan 2013 6 p.m.	1 Mar 2013 3 p.m.	
Floor space (m ²)	8,726	1,714	
Passenger throughput during the passenger busy hour (passengers/hour)	1,596	1,154	
Utilisation (busy hour passengers per 100m ²)	18	67	
Departure lounges			
Passenger busy hour for departure lounges—start time (day/month/year hour)	2 Jan 2013 6 p.m.	1 Mar 2013 3 p.m.	
Floor space (m ²)	6,695	2,148	
Number of seats	2,968	687	
Passenger throughput during the passenger busy hour (passengers/hour)	1,596	1,154	
Utilisation (busy hour passengers per 100m ²)	24	54	
Utilisation (passengers per seat)	0.5	1.7	
Inbound (Arriving) Passengers			
Airside circulation (inbound)			
Passenger busy hour for airside circulation (inbound)—start time (day/month/year hour)	29 Mar 2013 2 p.m.	5 Mar 2013 6 p.m.	N/A
Floor space (m ²)	8,596	1,751	N/A
Passenger throughput during the passenger busy hour (passengers/hour)	1,995	1,252	N/A
Utilisation (busy hour passengers per 100m ²)	23	72	
Passport control (inbound)			
Passenger busy hour for passport control (inbound)—start time (day/month/year hour)	29 Mar 2013 2 p.m.		
Floor space (m ²)	1,470		
Number of immigration booths and kiosks	56		
Notional capacity during the passenger busy hour (passengers/hour) *	3,272		
Passenger throughput during the passenger busy hour (passengers/hour)	1,833		
Utilisation (busy hour passengers per 100m ²)	125		
Utilisation (% of processing capacity)	56%		
* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
Landside circulation (inbound)			
Passenger busy hour for landside circulation (inbound)—start time (day/month/year hour)	29 Mar 2013 2 p.m.	5 Mar 2013 6 p.m.	N/A
Floor space (m ²)	1,532	1,600	N/A
Passenger throughput during the passenger busy hour (passengers/hour)	1,833	1,252	N/A
Utilisation (busy hour passengers per 100m ²)	120	78	
Baggage reclaim			
Passenger busy hour for baggage reclaim—start time (day/month/year hour)	29 Mar 2013 2 p.m.	5 Mar 2013 6 p.m.	
Floor space (m ²)	4,348	1,063	
Number of reclaim units	5	4	
Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	1,552	938	
Bags processed during the passenger busy hour (bags/hour)*	1,700	964	
Passenger throughput during the passenger busy hour (passengers/hour)	1,833	1,252	
Utilisation (% of processing capacity)	110%	103%	
Utilisation (busy hour passengers per 100m ²)	42	118	
* Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.			
Bio-security screening and inspection and customs secondary inspection			
Passenger busy hour for bio-security screening and inspection and customs secondary inspection—start time (day/month/year hour)	29 Mar 2013 2 p.m.		
Floor space (m ²)	2,242		
Notional MAF secondary screening capacity during the passenger busy hour (passengers/hour)*	1,527		
Passenger throughput during the passenger busy hour (passengers/hour)	1,833		
Utilisation (% of processing capacity)	120%		
Utilisation (busy hour passengers per 100m ²)	82		
* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
Arrivals concourse			
Passenger busy hour for arrivals concourse—start time (day/month/year hour)	29 Mar 2013 2 p.m.	5 Mar 2013 6 p.m.	N/A
Floor space (m ²)	1,731	145	N/A
Passenger throughput during the passenger busy hour (passengers/hour)	1,833	1,252	N/A
Utilisation (busy hour passengers per 100m ²)	106	866	

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

ref Version 2.0

	International terminal	Domestic terminal	Common area †
Total terminal functional areas providing facilities and service directly for passengers			
Floor space (m ²)	54,958	12,347	N/A
Number of working baggage trolleys available for passenger use at end of disclosure year	2,494	413	N/A

Commentary concerning capacity utilisation indicators for Passenger Terminal Activities

The introduction of technologies and innovation to improve departures, arrivals and border initiatives is a continuous process that can increase the propensity to travel and increase the capacity of the existing infrastructure, thus deferring capital expenditure on new infrastructure until it is needed.

1. 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.

2. Domestic passenger busy hour and throughput

Auckland Airport has not historically captured domestic passenger information in any detail. As a result of the introduction of a domestic passenger charge on 1 July 2012, the airlines agreed to provide detailed passenger data to enable accurate billing to occur. As such, Auckland Airport has utilised this information to accurately report on the passenger busy hour and throughput for the year ended 30 June 2013.

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 units.

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.

Airbiz has assessed the domestic terminal outbound baggage notional capacity based on the practical capacity of the baggage system. Airbiz ascribe 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.

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 on both arrivals and departures by New Zealand and Australian passport holders who are over 16 and by departing United Kingdom and United States 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, only 10 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 14th of September 2012. At this time, 309 passengers went through transit and transfer screening. The % of notional capacity used at this busy hour is 57%.

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6. Departure lounges

The number of reported seats in both the international and domestic terminals was based on a physical count in July 2013.

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 proposed 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 number of working trolleys represents the number of trolleys that Auckland Airport's trolley provider, Smartecarte, had in use as at 30 June 2013.

9. General comments on capacity utilisation

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. During the year, Auckland Airport undertook a project to optimise capacity of the bio security screening area by changing the layout. This project has resulted in increased capacity from 1,447 to 1,527 passengers per hour therefore helping to delay the requirement for further capital expenditure in this area. Presentation of passengers through emigration processes means that these processes may have slightly greater capacity than the indicators suggest. Busy hours and associated passenger throughput are based on flight times however the actual flow of passengers through emigration processes varies as not all passengers present through emigration at the same time.

A project is currently underway to develop automation software to monitor and control carousel allocation activity. On completion, the project will automate the allocation process with agreed business rules. The benefits of the project will be to optimise the utilisation of the reclaim belts and to reduce late carousel changes therefore improving efficiency in this area and enhancing the passenger experience. Further investment in the international baggage reclaim facility will be required in the short to medium term however the full scope of the project will need to be considered alongside the outcomes of Auckland Airport's master plan and in consultation with BARNZ and other substantial customers.

Domestic capacity utilisation measures indicate that a number of domestic terminal facilities are operating at, or near, full capacity. As the space utilisation indicators suggest, almost all areas of the domestic terminal are constrained. Auckland Airport has prioritised capital expenditure to alleviate some of the main congestion points in the short term. For example, during FY14 Auckland Airport is redeveloping the gate lounges and airside circulation spaces. In the check in area, the lack of space has partially been mitigated by the use of self-service kiosks. However, in the longer term, additional measures are likely to be needed to improve the passenger experience, including a larger terminal facility.

The baggage reclaim and security screening facilities are other areas which Auckland Airport has identified as requiring further investment. Both the baggage utilisation metrics (% of processing capacity and busy hour passengers per 100 square metres) indicate that the domestic baggage reclaim facilities are nearing full capacity. The Domestic Terminal short term capacity upgrade project which is currently underway reconfiguring and redesigning all three baggage reclaim areas to reduce congestion and improve operational efficiency. This project is expected to be completed during FY14.

While the measures of utilisation of domestic outbound baggage capacity do not indicate stress in this area, this is due to the configuration of the facilities. There is capacity at the Air New Zealand facility, but not at the Jetstar facility. During FY13, Auckland Airport added 25% more capacity to the Jetstar facility to improve the outbound baggage process.

During the previous financial year, Auckland Airport invested in increased domestic security screening and processing capacity. Busy hour utilisation of this increased capacity security screening area has increased by 13% year on year however there still appears to be capacity available at this point. However, it should be noted that the practical capacity is lower than the notional capacity. Due to the split location of the screening facilities, there are times when capacity is lower than 1,620 passengers per hour. The main screening facilities have five screening units, and there is an additional screening unit that services two gates. These two gates typically hold aircraft seating up to 170 passengers. The screening facility can only process 270 passengers per hour, which means that the screening facility cannot process two planes at one time. Therefore there are times when the screening capacity is only 1,520 passengers per hour. Regional passengers generally do not go through security screening. However, regional passengers using the Koru lounge must go through security to get to the lounge. The busy hour passenger throughput numbers do not include these passengers. During FY14, Air NZ is planning to create a regional Koru Express lounge which will reduce the number of passengers going to the main domestic Koru lounge.

To further alleviate pressure in the security screening areas and to improve the passenger experience, Auckland Airport is in the process of consolidating all security screening into one area. This project is expected to be completed in November 2013 and will also have the advantage of allowing more efficient utilisation of AVSEC resources.

As part of the short term capacity upgrade project, Auckland Airport is also connecting the first floor gate lounges resulting in extra seating, standing and circulation space.

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
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

ref Version 2.0

6	Survey organisation						
7	Survey organisation used	ACI					
8	If "Other", please specify						
9							
10	Passenger satisfaction survey score						
11	(average quarterly rating by service item)						
12	Domestic terminal	Quarter	1	2	3	4	Annual
13		for year ended	30 Sep 12	31 Dec 12	31 Mar 13	30 Jun 13	average
14	Ease of finding your way through an airport		4.0	4.0	4.0	4.1	4.0
15	Ease of making connections with other flights		4.1	3.8	3.9	3.8	3.9
16	Flight information display screens		4.0	4.0	4.0	4.1	4.0
17	Walking distance within and/or between terminals		4.0	4.0	4.0	3.9	4.0
18	Availability of baggage carts/trolleys		4.1	4.2	3.9	4.2	4.1
19	Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.1	4.1	4.3	4.2
20	Availability of washrooms/toilets		4.0	3.9	3.9	4.0	3.9
21	Cleanliness of washrooms/toilets		3.9	3.8	3.8	3.8	3.8
22	Comfort of waiting/gate areas		3.7	3.7	3.7	3.7	3.7
23	Cleanliness of airport terminal		4.1	4.0	4.1	4.1	4.0
24	Ambience of the airport		3.9	3.8	3.8	3.8	3.8
25	Security inspection waiting time		4.1	4.2	4.2	4.2	4.2
26	Check-in waiting time		4.3	4.3	4.2	4.3	4.3
27	Feeling of being safe and secure		4.2	4.3	4.2	4.2	4.2
28	Average survey score		4.1	4.0	4.0	4.0	4.0

29	International terminal	Quarter	1	2	3	4	Annual
30		for year ended	30 Sep 12	31 Dec 12	31 Mar 13	30 Jun 13	average
31	Ease of finding your way through an airport		4.0	4.1	4.1	4.2	4.1
32	Ease of making connections with other flights		3.9	4.3	4.3	4.3	4.2
33	Flight information display screens		4.0	4.1	4.2	4.1	4.1
34	Walking distance within and/or between terminals		3.9	3.9	4.1	4.1	4.0
35	Availability of baggage carts/trolleys		4.2	4.1	4.2	4.1	4.2
36	Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.2	4.2	4.3	4.2
37	Availability of washrooms/toilets		4.1	4.0	4.3	4.1	4.1
38	Cleanliness of washrooms/toilets		4.0	4.1	4.1	4.1	4.1
39	Comfort of waiting/gate areas		4.0	4.0	4.0	4.1	4.0
40	Cleanliness of airport terminal		4.2	4.2	4.3	4.3	4.3
41	Ambience of the airport		4.1	4.0	4.2	4.2	4.1
42	Passport and visa inspection waiting time		4.1	4.1	4.2	4.3	4.2
43	Security inspection waiting time		4.1	4.2	4.2	4.2	4.2
44	Check-in waiting time		4.0	3.8	4.0	4.2	4.0
45	Feeling of being safe and secure		4.2	4.2	4.3	4.3	4.3
46	Average survey score		4.1	4.1	4.2	4.2	4.1

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

Commentary concerning report on passenger satisfaction indicators

Auckland Airport considers that the quality of the service it provides is critical to its performance as New Zealand's international gateway. If Auckland Airport's quality of service is below par, then this will have flow on effects for all businesses that rely on Auckland Airport.

Auckland Airport is focussed on continually making improvements to the passenger experience, both directly and alongside airport partners, through improved quality and choice of services.

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

Feedback from the passenger experience at gate lounges was used to shape the business case for refurbishment priorities. In the international terminal, Auckland Airport launched a gate lounge comfort and interior refreshment programme in FY12. This refurbishment programme has continued in FY13 with 5 gates having been completed to date. In the domestic terminal, Auckland Airport is currently working through the Short Term Capacity Upgrade project which will provide increased circulation and gate lounge space but will also result in refurbishment and expansion of bathroom facilities within 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 completed by Auckland Airport in FY13 have helped to maintain customer satisfaction scores. Initiatives such Flight Information Display System (FIDS) provision optimisation and multilingual messaging, improved bag claim messaging, dual language way finding, and customer communication via social media, have resulted in customer satisfaction being maintained.

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. A trial of two passenger tracking systems is currently underway. This will also assist in enabling cleaning resources and operational staff to be directed to where they are most needed.

A strong passenger satisfaction indicator is also the World Airport Skytrax Awards. For the last five years, Auckland Airport has been voted the best airport in Australia Pacific in the World Airport Skytrax awards, and was named in the top 10 airports in the world in 2009, 2010 and 2011. Auckland Airport also received the best service Australia Pacific award in 2009, 2012 and 2013.

Auckland Airport also undertakes regular qualitative and quantitative market research that assists in understanding consumer needs and preferences. The quality and range of products and services across the business has been expanded, including terminal amenities and passenger processing. This offers choice and encourages supplier innovation and competition to help grow the size of the overall market.

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
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref Version 2.0

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
 - 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. Auckland Airport participates 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.

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. COG has both a daily meeting and a fortnightly meeting. The day to day meeting focuses on short term issues such as resourcing and off schedule flights. The fortnightly meeting focuses on more strategic issues. The group initially worked on documenting the processes making up the end to end journey. The aim was to identify the pressure points where further analysis should be undertaken. During the year, a number of initiatives were undertaken by this group including a project aimed at reducing the number of late passengers to gate. Further projects have recently been initiated for baggage reclaim and apron optimisation including an initiative to improve the efficiency of ground service parking to allow better utilisation of space and better flows in the container park. This may be rolled out more extensively in FY14.

We set out for interested parties key FY13 initiatives to improve the quality or efficiency of services provided.

1. Runway and taxiway performance

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. Auckland Airport has experienced steady growth in traffic over the past decade, and this is predicted to continue into the foreseeable future. As congestion increases, the on time performance of airlines may be impacted, particularly at peak times. In an effort to avoid congestion related issues as demand increases, this forum is investigating practices that could be employed to enhance runway capacity. Various projects are currently underway to assist in attaining enhanced runway capacity.

As a single runway airport, it is particularly important that the maintenance of the runway meets international best practice. During the year, Auckland Airport completed a project updating the way in which it develops and maintains pavement infrastructure assets. The project involved moving to a network level pavement management system to meet best practice standards. The objectives of the network level system are to drive operational efficiency and sustainable maintenance and construction practices. This will provide reliable assets that ensure safe and efficient airport operations, while at the same time optimising the lifetime value of the assets. The next stage of this process is to integrate the Pavement Management System into the overall Asset Management Plan for the airport.

During the 2013 financial year, Auckland Airport constructed Taxiway Lima. Taxiway Lima will become the first section of a future taxiway network. Taxiway Lima aims to reduce congestion and delays to Taxiway Kilo, create a second access to Pier B and to provide future access to the north of Pier B. The project was completed on time, under budget and opened on 2nd July 2013.

2. Air-bridge performance

Monthly meetings continue to be held to discuss safety issues and operational concerns around the Contact Stands for all stakeholders.

Installation of a scissor support to assist the use of ground power units (GPUs) for all aircraft without compromising the health and safety of ground handlers commenced during the year. The initial trial unit has proven successful and issues such as handling, time to deploy, traffic management and space around contact stands are being investigated before a full roll out strategy will be developed.

Auckland Airport has taken a proactive approach to the improvement of air-bridge performance. Since October 2009, Auckland Airport has been meeting regularly with airline representatives to improve operational performance. Initially, work focussed on air-bridge faults. Operating and repairs and maintenance issues were addressed. Monthly meetings continued throughout FY13. 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.

Root cause analysis continues to be completed on major asset outages with on time performance impacts. The findings are tabled at the Regional Facilitation meetings. Root cause analysis includes recommendations of actions to be undertaken to prevent re-occurrence of the outage.

3. Baggage system performance

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.

Initiatives have been introduced over the year including hardware upgrades to add redundancy to the system, a transfer loop to assist with baggage flow and a software upgrade to improve baggage tracking and reduce the number of lost bags. All improvements were trialled on the virtual baggage handling system developed in FY12. During the next financial year Auckland Airport will undertake a project to replace all outbound x-ray machines which are at the end of their economic life. This will ensure that the standard of the baggage security screening process continues to be maintained.

4. On time performance

A passengers to gate project has been established to reduce the number of late passengers to gate. The project team is measuring and understanding passenger dwell times across key milestones in the departure journey, with the aim of identifying opportunities to influence passenger behaviours. Key goals of the project are to improve on time performance caused by late passengers to gate. The project is the first of several proposed collaborative projects. Initially this will involve working with Air NZ, but could potentially be rolled out to other handlers/airlines if the trial proves successful. The pilot flight trial was completed by 31 March 2013 and subsequent sample set of flights measured in April 2013. After the review of the data set, it was agreed by the project team that further flights would be collected to increase the sample size and improve the accuracy of measurement.

5. Operational Efficiency

Auckland Airport initiated enhanced passenger tracking and counting project in the ITB. 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.

By developing a better understanding of passenger movements, we can provide better and timelier 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 investment processes to ensure that we are investing in capacity when required and that we are investing in facilities of the right size.

The proof of concept trial for this project is expected to be implemented by the end of the 2013 calendar year for a 3 month period. Depending upon the success of the trial, Auckland Airport will deploy the full solution in FY14 and FY15.

Automated carousel allocation tool - a project was underway to develop automation software to monitor and control carousel allocation activity. All three ground-handlers have been engaged in this project. On completion, the project will automate the allocation process with agreed business rules. The benefits of the project will be to optimise the utilisation of the reclaim belts and to reduce late carousel changes that result in a poor passenger experience. This continues in FY14.

E-Learning Initiatives - During the year Auckland Airport developed e-learning modules to support training related to occupational safety and health, security and fire warden activities. These e-learning modules are available to staff from all organisations who work at the International or domestic terminals. These e-learning modules will make it easier for those staff working shifts to more efficiently address their training requirements.

Auckland Airport has also implemented operational improvements that enhance the health and safety of our employees, passengers and other staff working on or around the airport. Examples include:

- The introduction of 15 defibrillators located throughout the international and domestic terminals.
- A safety culture survey allowing staff to provide confidential feedback and help to drive the health and safety strategies for the following year.
- A detailed review and partial automation of the systems for issuing permits to work within Auckland Airport. This system is now integrated with Auckland Airport's GIS interface (MAPI) allowing greater visibility and monitoring of where works are taking place and therefore allowing Auckland Airport to effectively manage risks associated with conflicting work schedules.
- Work station assessments for all staff as well as the introduction of a 12 month programme aimed at improving staff health and wellbeing.

Improved weather prediction capability - Auckland Airport invested in improved weather prediction capability in December 2012. A new product called Metjet was purchased from Metservice NZ. This new product provides the airport operations

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team with early adverse weather predictions which are then shared with the wider airport operations community. This early warning gives stakeholders, such as the ground handlers, opportunities to secure their Ground Service Equipment (GSE) prior to adverse weather and ensure safety across the airfield.

Emergency planning - Auckland Airport has led a number of key emergency planning initiatives with the wider stakeholder community over the last 12 months including the setting up of a new passenger reconciliation process. In addition, the Emergency Operations Centre (EOC) has had some improvements made to process, technology and equipment. These include newly defined roles and responsibilities, briefing packs for all EOC participants during an event, and new electronic maps and white boards.

To ensure that Auckland Airport's performance in improving reliability and customer satisfaction is transparent, Auckland Airport reports to the Regional Facilitation meeting. This meeting is attended by Auckland Airport, airlines, joint border agencies, ground handlers and Board of Airline Representatives New Zealand ('BARNZ'). Reports at the meetings concentrate on the performance in the previous quarter. Airlines are given an opportunity to provide feed-back on performance.

6. Passenger Experience

In order to better cater to the inbound mix of passengers at Auckland a project was initiated to improve the Flight Information Display Systems (FIDs) including the development of a multi-language messaging capability. Other key existing passenger touch points across the airport site have been reviewed to:

- identify areas where significant improvements could be made to the current experience such as improving the legibility and presence of existing assets.
- provide consolidated information zones - enhanced FIDS (larger displays and in the revised FIDS/Clock format) and static dual language directory boards.
- dual language way finding - key navigation trails were delivered in English and in simplified Chinese.
- improve bag claim messaging – monitors have been installed in totems on each baggage reclaim carousel which now display useful passenger facilitation messages. Over the course of the coming months, this will evolve into dynamic rather than scheduled content (by flight profile) in relevant languages and triggered via FIDs. The aim is to complete the project in early FY14.
- facilitate the provision of audio visual information from the Ministry of Primary Industries to passengers in order to improve voluntary compliance.
- Auckland Airport has introduced and enhanced customer support in recognition of the increased number of Asian passengers visiting New Zealand. Fourteen new Mandarin speaking volunteer ambassadors have been recruited, supplementing the existing team.
- customer communication – social media - Auckland Airport has introduced twitter as a fast way of directly communicating updates and responding to customers. This will give us the ability to inform the customer of any updates, including traffic issues, flight information, airport terminal upgrades and parking issues.

Domestic terminal operations - A number of projects and initiatives have been undertaken in the domestic terminal to enhance the passenger experience. Since October 2012 Auckland Airport has been working with Avsec, the airlines and Skycare to manage both in-terminal and airside operations following increasing passenger numbers. Operational plans were developed and agreed to by all parties. Auckland Airport actively assists with facilitation and queue management across the domestic terminal. To deliver continuous improvement of domestic terminal operations, the DTB Operations forum has continued to meet fortnightly during the year. This meeting covers off all operational matters and includes all domestic terminal stakeholders.

7. Energy Efficiency

Auckland Airport continues to invest in energy efficiency and sustainability. Projects completed during FY13 include the upgrade of the air-conditioning system and lighting in the check-in area resulting in energy savings and improved working conditions and passenger experience, as well as centralisation of plant within the International Terminal also resulting in energy efficiencies via the decommissioning of older redundant plant. Additionally, there has been a complete review of how waste is managed within the international terminal which has led to reduced waste disposal costs, increased recycling and improved bio security outcomes.

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

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref Version 2.0

6 16a: Aircraft statistics7 *Disclosures are categorised by core aircraft types such as Boeing 737-400 or Airbus A320. Sub variants within these types need not be disclosed.***8 (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	3,087	915,380
Boeing - B777-300ER	1,972	691,092
Boeing - B737-800	6,136	484,836
Boeing - B767-300ER	2,035	380,219
Airbus - A320	4,728	363,316
Airbus - A380-800	635	361,297
Airbus - A340-300	1,161	319,275
Boeing - B747-400	568	224,846
Airbus - A330-200	677	154,954
Airbus - A330-300	294	62,328
Boeing - B757-200	240	26,140
Boeing - B737-200	192	13,456
McDonnell Douglas - MD-11	41	11,493
Boeing - B737-300	15	949
Boeing - B777-300	2	586
Airbus - A340-200	1	260
Grumman - G-4	3	100
Bombardier - BD-700 Global Express	2	87
Boeing - B737-400	1	68
Grumman - G-5	2	66
Airbus- A319	1	61
Convair - CV-580 Convair	2	57
Embraer - ERJ-190-100	1	52
Bombardier - Learjet 35	5	42
Canadair - CL-600 Challenger 600	2	41
Embraer - ERJ-135	2	37
British Aerospace - BAe-125 / Hawker 1000	3	34
IAI - 1124 Westwind	3	32
Dassault - Falcon 7X	1	31
Cessna - 680 Citation Sovereign	2	27
Beechcraft - 400 Beechjet	3	22
Cessna - 750 Citation X	1	16
Dassault - Falcon 20	1	15
Beechcraft - 200 Super King Air	2	11
Cessna - 650 Citation 3/6/7	1	10
Cessna - 525 CitationJet	2	9
Dassault - Falcon 10	1	6
Cessna - 525A Citation CJ2	1	5
Cessna - 441 Conquest 2	1	4
Britten-Norman - BN-2P Islander	1	3
Other	9	2,085
Total	21,837	4,013,350

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Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2013

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 2)

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(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)
123			
124			
125	Air passenger service aircraft less than 3 tonnes MCTOW	2,014	6,004
126	Freight aircraft	295	87,314
127	Military and diplomatic aircraft	26	1,626
128	Other aircraft (including General Aviation)	1,826	15,447
129	(iv) The total number and MCTOW of landings during the disclosure year		
130		Total number of landings	Total MCTOW (tonnes)
131	Total	77,707	5,929,368

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
134				
135	International air passenger service movements	43,550	630	44,180
136	Domestic jet air passenger service movements	38,765	2,393	41,171

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

16c: Passenger statistics

	Domestic	International	Total
138			
139			
140	The total number of passengers during disclosure year		
141	Inbound passengers [†]	3,412,449	3,883,553
142	Outbound passengers [†]	3,348,088	3,872,125
143	Total (gross figure)	6,760,537	7,755,678
145	less estimated number of transfer and transit passengers	438,354	438,354
147	Total (net figure)		14,077,861

[†] 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
151		
152	Air New Zealand	Air Caledonie International
153	JetStar Airways	Air New Zealand
154	Air Nelson	Air Pacific
155	Eagle Airways	Air Tahiti Nui
156	Mount Cook Airlines	Air Vanuatu
157	Great Barrier Air	Cathay Pacific Airways
158		China Airlines
159		China Southern Airlines
160		Emirates Airlines
161		Hawaiian Airlines
162		Jetstar Airways
163		Korean Air Lines
164		Linea Aerea Nacional de Chile
165		Malaysian Airline System
166		Qantas Airways
167		Singapore Airlines
168		Thai Airways International
169		Virgin Australia Airlines
170		
171		
172		

Regulated Airport
For Year Ended

Auckland International Airport Limited
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SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)

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179 **Airline statistics (cont)**

	Domestic	International
181		
182		
183		
184		
185		
186		
187		
188		
189		
190		

191 **16e: Human Resource Statistics**

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
192				
193	176	91	4	272
194				31,648

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

196 Passenger volume is the most important driver of value for Auckland Airport. The majority of aeronautical revenues
197 are per passenger charges. Also, increases in passenger movements provide the opportunity to increase sales in our
198 retail and car parking businesses. Of the passenger types, international passenger volumes have a greater impact on
199 value than domestic passengers. Revenue from international passengers is about four times greater than for
200 domestic passengers with higher aeronautical charges and significantly bigger retail passenger spend rates.

	2013	2012	% change
202 Auckland passenger movements			
203 International arrivals	3,664,376	3,577,874	2.4
204 International departures	3,652,948	3,616,101	1.0
205 International passengers excluding transits	7,317,324	7,193,975	1.7
206 Transit passengers	438,354	575,232	(23.8)
207 Total international passengers	7,755,678	7,769,207	(0.2)
208 Domestic passengers	6,760,537	6,236,915	8.4
209 Total passenger movements	14,516,215	14,006,122	3.6

210 International passenger numbers (excluding transits) grew by 1.7% in the 12 months to June 2013 compared to those
211 for the prior year. This was a pleasing performance given the loss of two routes prior to the commencement of the
212 financial year, namely Qantas to Los Angeles and Aerolineas Argentinas to Buenos Aires. These two routes provided
213 strong transit passenger services and therefore were the main driver of the drop in transit passengers.

214 International passenger numbers grew at different rates in each half of the financial year. Passenger numbers in the
215 first half of the year were flat when compared to the strong growth delivered by the 2011 Rugby World Cup in the
216 previous corresponding half year. Momentum started to build in the second half with growth of 3.3%. Increases in
217 passenger volumes were evident with the arrival of Hawaiian Airlines in March 2013 assisting in driving demand to
218 and from North America.

The continued increase in international passenger arrivals from Asia was evident through the year, particularly from
China which saw growth of 26.5%. China has now surpassed the United Kingdom to be Auckland Airport's second
highest source of international passenger arrivals after Australia.

Domestic passenger numbers grew very strongly in the 12 months to June 2013 by 8.4%. The primary drivers of this
growth were the addition of Air New Zealand and Jetstar capacity on the main trunk routes and a range of
competitive airfares.

Asia leads the increase in international arrivals

In 2013 we reiterated our drive to develop passenger arrivals from key markets. In particular, we see the opportunity
arising from routes within one flight from Auckland – Asia, 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 4.0
million by 2020 (up from current New Zealand visitor arrivals of 2.5 million).

In 2013, Asian countries led the rise in international visitor arrivals to Auckland with China, Malaysia, Thailand, Taiwan and Japan all reporting growth above 10% in the year to June 2013 and China and Malaysia both reporting 26.5% increases. In particular, China has been assisted by a full year of daily return flights to Guangzhou by China Southern Airlines and follows the 31.9% growth in 2012. The strong Asian passenger increases reinforce the relevance of Auckland Airport's 'Ambition 2020' targets and our focus on Asia as a high opportunity target region.

The following table shows the top 10 increases in arrivals by source market (by country of last permanent residence) in 2013:

	2013 arrivals	2012 arrivals	% change	% of 2013 arrivals	% of 2012 arrivals
People's Republic of China	213,781	168,950	26.5	5.8	4.7
Malaysia	19,575	15,478	26.5	0.5	0.4
Thailand	13,650	11,044	23.6	0.4	0.3
Taiwan	17,278	14,927	15.7	0.5	0.4
Japan	63,564	56,085	13.3	1.7	1.6
Fiji	23,607	22,010	7.3	0.6	0.6
India	30,215	28,844	4.8	0.8	0.8
New Zealand	1,717,286	1,644,836	4.4	46.9	46.0
Italy	7,346	7,134	3.0	0.2	0.2
Tonga	14,383	14,033	2.5	0.4	0.4

SOURCE: STATISTICS NEW ZEALAND

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

	2013 arrivals	2012 arrivals	% change	% of 2013 arrivals	% of 2012 arrivals
Country of Last Permanent Residence					
New Zealand	1,717,286	1,644,836	4.4	46.9	46.0
Australia	722,989	715,115	1.1	19.7	20.0
People's Republic of China	213,781	168,950	26.5	5.8	4.7
United Kingdom	154,035	173,767	(11.4)	4.2	4.9
United States of America	151,590	150,766	0.5	4.1	4.2
Japan	63,564	56,085	13.3	1.7	1.6
Germany	49,939	49,370	1.2	1.4	1.4
Canada	41,287	42,918	(3.8)	1.1	1.2
Republic of Korea	40,258	43,822	(8.1)	1.1	1.2
India	30,215	28,844	4.8	0.8	0.8
Hong Kong	24,186	24,425	(1.0)	0.7	0.7
Singapore	23,769	27,196	(12.6)	0.6	0.8
Fiji	23,607	22,010	7.3	0.6	0.6
France	21,560	32,203	(33.0)	0.6	0.9
Malaysia	19,575	15,478	26.5	0.5	0.4
Samoa	17,536	17,862	(1.8)	0.5	0.5
Taiwan	17,278	14,927	15.7	0.5	0.4
Netherlands	16,865	18,128	(7.0)	0.5	0.5
New Caledonia	16,696	16,898	(1.2)	0.5	0.5
French Polynesia	15,355	15,794	(2.8)	0.4	0.4
Other	264,475	283,331	(6.7)	7.3	8.0
Total arrivals	3,645,846	3,562,725	2.3	100.0	100.0

2013 Aircraft Volumes Analysis

	2013	2012	% change
Aircraft movements			
International aircraft movements	44,314	45,094	(1.7)
Domestic aircraft movements	110,832	110,421	0.4
Total aircraft movements	155,146	155,515	(0.2)
MCTOW (maximum certificated take-off weight)			
International MCTOW	4,104,679	4,167,792	(1.5)
Domestic MCTOW	1,824,689	1,733,819	5.2
Total MCTOW	5,929,368	5,901,611	0.5

Total aircraft movements were 155,146, a decrease of 0.2% from 2012 while MCTOW increased to 5,929,638, a growth of 0.5% from 2012. Auckland Airport's airfield income is determined from the MCTOW of aircraft landing at Auckland Airport.

Aircraft movements have decreased as airlines look to increase capacity by using larger aircraft rather than offering additional flights. 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 decreased in the 2013 financial year over the prior period, primarily due to the withdrawal of the two international services before the beginning of the year (Qantas to Los Angeles and Aerolíneas Argentinas to Buenos Aires). Domestic MCTOW increased by 5.2% due to the additional services operated by Air New Zealand and Jetstar.

Human Resource Statistics

The total full time equivalent employees were 272 for the year ended 30 June 2013 which is 14 more than the year ended 30 June 2012 total which was 258. The staff increases were due to additional resource requirements in the Aeronautical Operations (Customer Services related) and Engineering and Emergency Services (Maintenance Services related) divisions. 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
For Year Ended

Auckland International Airport Limited
30 June 2013

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	4,105
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	19,474
Net operating charges from airfield activities relating to international flights	58,752
Net operating charges from specified passenger terminal activities relating to domestic passengers	14,020
Net operating charges from specified passenger terminal activities relating to international passengers	116,396
	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	1,684,184
Number of domestic passengers on flights of 30 tonnes MCTOW or more	5,076,353
Number of international passengers	7,755,678
	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	449,780
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,355,847
Total MCTOW of international flights	4,013,350

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	2.44	9.13
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	3.84	14.36
Average charge from airfield activities relating to international flights	7.58	14.64
	Average charge (\$ per domestic passenger)	Average charge (\$ per international passenger)
Average charge from specified passenger terminal activities	2.07	15.01
	Average charge (\$ per domestic passenger)	Average charge (\$ per international passenger)
Average charge from airfield activities and specified passenger terminal activities	5.56	22.58

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.

Key pricing structure changes include the removal of a separate terminal services charge, the removal of domestic terminal lease charges relating to passenger processing areas, the introduction of an international transit charge, and the phased introduction of passenger charges for 2-11 year olds in order to be consistent with most Australian airport pricing practices.

International

Average airfield activity charges per international passenger have increased from \$7.32 in the year ended 30 June 2012 to \$7.58 for the year ended 30 June 2013. The increase in international airfield charges was partially due to an intended rebalancing of charges to ensure the same weight of aircraft is charged the same for both domestic and international services.

Average passenger terminal charges per international passenger have decreased from \$15.60 in the year ended 30 June 2012 to \$15.01 in the year ended 30 June 2013. The decrease in passenger terminal charges is mainly due to the removal of the specific terminal services charge, offset by the introduction of a transit passenger charge and a 50% passenger service charge for 2-11 years old (which will increase to a 100% charge for the year ended 30 June 2014).

Average charges from both airfield and passenger terminal activities per international passenger have decreased from \$22.92 in the year ended 30 June 2012 to \$22.58 in the year ended 30 June 2013. This demonstrates that growth in international air services at Auckland Airport is reducing overall per passenger charges and benefiting travellers. In the June 2012 media release AIAL forecast average international charges to be \$21.55 per passenger for the year ended 30 June 2013. This figure does not include some lease, rental and concession income paid by air transport operators which must be included in Schedule 17 income. The actual average international charge per passenger for the year ended 30 June 2013 using the same methodology as the media release was \$21.89, \$0.34 more than forecast. The main driver of this was a higher actual average MCTOW per landing than pricing (185 tonnes vs 182 tonnes) and a lower average passengers per landing (174 vs 177) meaning that the increased average landing charges were spread over a lower passenger base than assumed in pricing.

Domestic

Auckland Airport was exempted for the year ended 30 June 2012 from reporting average domestic airfield charges at a MCTOW weight level, as this data was not available however this data is now available. The average charges from airfield activities for domestic passengers (for all MCTOW weights) has remained flat at \$3.49 in the year ended 30 June 2013 compared to the year ended 30 June 2012 and has reduced in real terms.

The average charge from domestic specified passenger terminal activities for domestic have increased from \$0.74 in the year ended 30 June 2012 to \$2.07 for the year ended 30 June 2013. This increase follows the introduction of a domestic passenger charge as outlined in the Price Setting Disclosure.

The average domestic charge per passenger relating to both airfield and passenger terminal activities increased from \$4.23 in the year ended 30 June 2012 to \$5.56 in the year ended 30 June 2013. The increase in domestic charges helped to fund much needed short-term improvements at the domestic terminal as a result of fleet changes. This was a key priority for Auckland Airport during Price Setting. In the June 2012 media release Auckland Airport forecast average domestic charges to be \$5.55 per passenger for the year ended 30 June 2013. This figure does not include some lease, rental and concession income paid by air transport operators which must be included in Schedule 17 income. The actual average domestic charge per passenger for the year ended 30 June 2013 using the same methodology as the media release was \$5.48, \$0.07 less than forecast. The main driver of this was a higher actual average passengers per landing than pricing (61 passengers vs 58 passengers) meaning that the landing charges were spread over a larger passenger base and hence lower on a per pax basis.

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

27 November 2013



**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 2013 (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 2013 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 2013 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 2013 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 2014 provided by management; and
- Agreeing the Effect of Changes in Cost Allocators CY+1 column in Schedule 10 to the budget for the fiscal year 2014 provided by management, which had been approved on 2 August 2012.



Actual results are likely to be different from the forecast financial information since anticipated events frequently do not occur as expected and the variation could be material.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Our firm carries out other assignments for Auckland International Airport Limited in the areas of AGM vote scrutineer assistance and prospectus review procedures. 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. 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 2013 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.

Chartered Accountants

27 November 2013

Auckland, New Zealand

This assurance report relates to the Disclosure Schedules of Auckland International Airport Limited (Company) for the year ended 30 June 2013 included on the Company's website. Through management, the Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the Disclosure Schedules since they were initially presented on the website. The assurance report refers only to the Disclosure Schedules named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these Disclosure Schedules. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited Disclosure Schedules and related assurance report dated 27 November 2013 to confirm the information included in the audited Disclosure Schedules presented on this website. Legislation in New Zealand governing the preparation and dissemination of Disclosure Schedules may differ from legislation in other jurisdictions.