



Specified Airport Services Information Disclosure Requirements Information Templates for Schedules 18–24

Company Name	Auckland International Airport Limited
Disclosure Date	28 February 2017
Pricing Period Starting Year (year ended)	30 June 2018
Disclosure year of most recent annual disclosure (year ended) ¹	30 June 2016

¹ applies only to schedule 18

Templates for Schedules 18–24 (Disclosure Following a Price Setting Event)
Version 3.0. Prepared 20 December 2016

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Disclosure Template Guidelines for Information Entry*Templates*

The templates contained in this workbook are intended to reflect the specified airport disclosure requirements set out in Schedules 18–19 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:

Internal consistency checking is not applied in Schedules 18–24.

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS

ref Version 3.0

		First Day of Pricing Period	Pricing Period Starting Year		Pricing Period Starting Year + 1		Pricing Period Starting Year + 2		Pricing Period Starting Year + 3		Pricing Period Starting Year + 4		Last Day of Pricing Period
			30 Jun 18	2 Feb 18	30 Dec 18	2 Feb 19	30 Jun 20	3 Feb 20	30 Dec 20	2 Feb 21	30 Jun 22	2 Feb 22	30 Jun 22
8	18(i): Forecast Internal Rate of Return												
9	(\$000)												
10	Opening RAB	1 Jul 17											
11	Opening carry forward adjustment		1,244,584										
12	Opening investment value		82,510										
13			1,162,074										
14	plus Forecast total revenue requirement			334,356		350,537		365,277		382,692		401,786	
15	less Forecast assets commissioned			(209,141)		(417,167)		(340,938)		(240,647)		(267,603)	
16	plus Forecast cash flow from asset disposals												
17	less Forecast operational expenditure			(113,722)		(122,465)		(127,281)		(132,045)		(137,398)	
18	less Forecast unlevered tax			(44,611)		(42,744)		(39,719)		(40,651)		(41,596)	
19													
20	Forecast closing asset base												2,323,335
21	Forecast closing carry forward adjustment												86,084
22	Forecast closing investment value												2,237,251
23													
24	Forecast net cash flows		(1,162,074)	(367,475)	334,356	(582,376)	350,537	(507,938)	365,277	(413,343)	382,692	(446,597)	401,786
25													
26	Forecast post-tax IRR as at 01 July 2017		7.062%										
27	NPV check		0.0	OK									

18(ii): Opening carry forward adjustment

	Forecast closing carry forward from previous price setting event	Opening carry forward adjustments from current price setting event	Total opening carry forward adjustments	Please explain each adjustment and how this has been calculated
29	(\$000)			
30	Default revaluation gain/loss adjustment			
31	Risk allocation adjustment			
32	Other carry forward adjustments	(3,574)	86,084	82,510
33	Opening carry forward adjustment	(3,574)	86,084	82,510

The opening carry forward adjustment is made up of two parts - "the Pier B adjustment" (-\$3.57m) which relates to the recovery of revenue for the Pier B development that was deferred from previous pricing periods, and the "moratorium adjustment" (\$86.1m) which accounts for the difference in revaluations for terminal and airfield assets between the start of the pricing moratorium in 2006 and the start of information disclosure regulation in 2010. Further information about these adjustments and how they have been calculated is included in Section 5.2 of Auckland Airport's price setting disclosure.

Provide a summary of any views expressed by substantial customers about the pricing approaches reflected in the opening carry forward adjustment

Auckland Airport discussed both the Pier B adjustment and the moratorium adjustment with substantial customers through the aeronautical pricing consultation. No substantial customers opposed the Pier B adjustment or the intention to recover the deferred revenue in PSE3. Auckland Airport considers that the Pier B adjustment accurately captures the intention of Auckland Airport and airlines at the time prices were set in PSE1, and that this adjustment has airline support. For the moratorium adjustment, Auckland Airport shared its proposed approach to asset valuation with substantial customers through the aeronautical pricing consultation, including our proposal to use the opening and closing carry forward mechanism to disclose the ongoing impact of the moratorium on Auckland Airport's asset values related to aeronautical pricing activities. No airlines raised any concerns about the proposed approach to the carry forward adjustment.

18(iii): Forecast closing carry forward adjustment

	(\$000)	Please explain each adjustment and how this has been calculated
40	Moratorium Adjustment	86,084
41	[description of closing carry forward adjustment]	
42	[description of closing carry forward adjustment]	
43	[description of closing carry forward adjustment]	
44	Total forecast closing carry forward adjustment	86,084

Explain how the closing investment value provides a good indication of the remaining capital expected to be recovered by the airport in future pricing periods and provide a summary of substantial customer views on any closing carry forward adjustments

The forecast closing investment value for PSE3 reflects the estimated remaining capital as at the end of PSE3 that is intended to be recovered in future pricing periods. It represents the value of Auckland Airport's forecast regulatory asset base as at closing FY22, adjusted through a closing carry forward moratorium adjustment to remove revaluations between 2006 (the start of the moratorium) and 2010 (the start of information disclosure regulation) for airfield and terminal assets. In this way, the forecast closing investment value represents the ongoing impact of the moratorium on asset valuations on the estimated remaining capital as at the end of PSE3. The opening carry forward Pier B adjustment has been fully offset by the end of PSE3. More information about the closing carry forward adjustment is included in Section 5.3 of Auckland Airport's price setting disclosure.

This approach was shared with substantial customers through the aeronautical pricing consultation. No substantial customers expressed any concerns with the closing carry forward adjustment or the pricing approaches reflected in that adjustment.

49 **18(iv): Cash flow timing assumptions**

50 Year of most recent annual disclosure (year ended)
 51 First day of pricing period

30 June 2016
1 July 2017

53 Cash flow timing - revenues - days from year end
 54 Cash flow timing - expenditure - days from year end

	Default	assumption
Airport assumption	148	148
	182	182

56 **Explanation and evidence if airport assumption is different from default**

Auckland Airport has applied the same cash flow timing as the Commission's default assumptions for forecast revenue and expenditure. However, we note that for some assets, the forecast assets commissioning (treated as a cashflow in the IRR calculation) is assumed to occur at the end of FY22. For these assets, the asset commissioning timing differs from the Commission's default assumptions. As part of the price consultation, it was agreed that assets expected to be commissioned before the end of FY22 but near the end of FY22 (primarily relating to the new DTB) would not impact prices in PSE3. In order to ensure that the IRR analysis in these disclosure schedules is consistent with our pricing approach, the value of these assets (\$0.625b) has been notionally retained in works under construction and disclosed as part of schedule 18(vii). If the schedule reflected the expected commissioning of these assets in FY22, the forecast balance of works under construction at 30/06/22 would be \$0.391b (\$0.625b lower than shown in schedule 18(vii)) and the forecast RAB at 30/06/22 would be \$2.949b (\$0.625b higher than shown in schedule 18(i) and 18(viii)).

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont)

ref Version 3.0

18(v): Total Revenue Requirement

Overview of the methodology used to determine the revenue requirement

An overview of the methodology used to determine the revenue requirement is provided at Section 3 of Auckland Airport's price setting disclosure. Further information on the revenue requirement components is included in Section 4, and a description of pricing methodology used by Auckland Airport to set Standard Charges is included at Section 9.

(\$000)

	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
Forecast revenue for services applicable to the price setting event (excluding forecast assets held for future use revenue)	310,100	324,198	336,957	353,318	371,531
plus Forecast lease, rental and concession income (not applicable to the price setting event)	24,257	26,338	28,320	29,375	30,254
plus Forecast other operating revenue (not applicable to the price setting event)	-	-	-	-	-
Forecast total revenue requirement (excluding assets held for future use revenue)	334,356	350,537	365,277	382,692	401,786
less Forecast operational expenditure	113,722	122,465	127,281	132,045	137,398
less Forecast depreciation	52,312	60,725	79,092	91,506	97,656
less Forecast unlevered tax	44,611	42,744	39,719	40,651	41,596
plus Forecast revaluations	804	1,234	1,813	1,929	1,879
Forecast regulatory profit / (loss)	124,514	125,836	120,998	120,420	127,014
Forecast regulatory investment value	1,342,148	1,595,751	1,913,429	2,125,497	2,287,379
ROI - comparable to a post tax WACC	9.28%	7.89%	6.32%	5.67%	5.55%
Forecast cost of capital	6.85% to 8.1%				
Post-tax WACC at price setting event	6.41%				
WACC percentile equivalent for forecast cost of capital (optional)					
WACC percentile equivalent for the post-tax IRR (optional)					

Explain the differences between the post-tax IRR and the forecast cost of capital, and the post-tax WACC at price setting event and the forecast cost of capital (including reasons)

A full description of Auckland Airport's approach to its forecast cost of capital and forecast target return (i.e. post-tax IRR) is provided in Section 4.3 of Auckland Airport's price setting disclosure. This includes an explanation of the differences between our post-tax IRR for all regulated activities of 7.06% and the forecast cost of capital (Section 4.3.2), and an explanation of the differences between the post-tax WACC at price setting event (the Commission's industry wide estimate of 6.41%) and our estimate of Auckland Airport's specific cost of capital of between 6.85% and 8.1% (Section 4.3.1).

It is noted that the ROI calculation does not include any adjustments for the balance of carry forward adjustments and assumes mid-year cash-flows.

Forecast total revenue requirement from airport charges (including assets held for future use revenue)

Forecast total revenue requirement (excluding assets held for future use revenue)	334,356	350,537	365,277	382,692	401,786
Forecast assets held for future use revenue	-	-	-	25,254	26,057
Forecast total revenue requirement (including forecast assets held for future use revenue)	334,356	350,537	365,277	407,946	427,842

Description of any other factors that are considered in determining the forecast total revenue requirement

As explained in Section 4.8, other than the carry-forward adjustments, no "other factors" (as defined in the ID Determination) were considered in determining the forecast total revenue requirement.

We note that the forecast assets held for future use revenue disclosed in line 104 above is the pre-tax revenue associated with the Runway Land Charge (ie the forecast total revenue from "airport charges" associated with assets held for future use).

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 3)

Version 3.0							
		(\$000)					
124	18(vi): Opening Regulatory Asset Base						
125		30 Jun 17					
126	Regulatory asset base as at 30 June 2016	1,107,225					
127	less Forecast depreciation	45,088					
128	plus Forecast revaluations	757					
129	plus Assets commissioned	192,991					
130	less Asset disposals	938					
131	plus (less) Forecast adjustment resulting from cost allocation	(10,362)					
132	Estimate of regulatory asset base at start of price setting event	1,244,584					
		Pricing Period	Pricing Period	Pricing Period	Pricing Period	Pricing Period	Pricing Period
133		Starting Year - 1	Starting Year	Starting Year + 1	Starting Year + 2	Starting Year + 3	Starting Year + 4
134	<i>for year ended</i>	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
135	18(vii): Forecast Asset Base						
136	Forecast asset base—previous year	1,107,225					
137	less Forecast depreciation	45,088					
138	plus Forecast revaluations	757					
139	plus Assets commissioned	192,991					
140	less Asset disposals	938					
141	plus (less) Forecast adjustment resulting from cost allocation	(10,362)					
142	Forecast asset base	1,244,584					
143		1,244,584	1,388,203	1,743,808	2,005,771	2,155,646	2,323,335
144	Description and explanation of the depreciation methodology applied						
145	Auckland Airport has forecast depreciation based on the economic life of existing assets, and for new assets based on the average economic life of that asset class (determined with reference to the historical cost weighted depreciation of assets in existence prior to 30 June 2016). Straight line depreciation was used for all airfield and terminal assets. In the case of assets allocated directly to aircraft and freight activities, these assets were depreciated using modified straight line depreciation, which uses the same economic life as the straight line method but involves an adjustment to offset the effect of CPI revaluations over the economic life of the asset. Auckland Airport's approach to depreciation is explained in more detail in Section 4.5 of the price setting disclosure.						
146							
147							
148	18(viii): Forecast Works Under Construction						
149	Works under construction—previous year	111,785					
150	plus Capital expenditure	220,189					
151	less Assets commissioned	192,991					
152	Works under construction	138,983					
153		138,983	235,297	274,927	394,231	693,035	1,016,084
154	18(ix): Assets held for future use cost and base value						
155	Assets held for future use opening cost—previous year	276,964					
156	plus Forecast holding costs	23,478					
157	less Forecast assets held for future use net revenue	(999)					
158	plus Forecast assets held for future use additions	—					
159	less Forecast assets held for future use disposals	870					
160	less Forecast transfers to works under construction	—					
161	Assets held for future use closing cost	300,571					
162		300,571	322,738	346,524	372,045	389,558	380,737
163	Initial base value	143,852					
164	plus Opening tracking revaluations	13,373					
165	Opening base value	157,224					
166	plus Forecast assets held for future use revaluations	(81)					
167	plus Forecast assets held for future use additions	—					
168	less Forecast assets held for future use disposals	870					
169	less Forecast transfers to works under construction	—					
170	Closing base value	156,274					
171		156,274	156,274	156,274	156,274	156,274	156,274
172	Tracking revaluations	13,292					
173		13,292	13,292	13,292	13,292	13,292	13,292

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Assumptions and explanations of any assets held for future use revenues

Auckland Airport's forecast assets held for future use revenues are made up of two revenue streams - a Runway Land Charge that is forecast to be levied from FY21 (but which is subject to triggers being met before it is levied) and minor other revenue (primarily associated with minor farming activities that are carried out on land held for future use). A description of the Runway Land Charge is set out at Section 6 of the price setting disclosure, including an explanation of Auckland Airport's rationale for introducing the Runway Land Charge, the triggers that must be met before the charge is levied, and an explanation of the assumptions and justifications of the net revenue associated with this charge.

Consistent with the definitions in the ID Determination, "forecast assets held for future use net revenue" in Schedule 18(ix) represents forecast revenue less tax and less opex. The forecast net revenue disclosed above includes revenue from the Runway Land Charge and other forecast minor revenue associated with assets held for future use. A table separating out these two forecast revenue streams, as well as the forecast opex associated with assets held for future use, is included at Section 6.3 of Auckland Airport's price setting disclosure.

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 4)

ref Version 3.0

18(x): Forecast Capital Expenditure

		Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22	Pricing Period Starting Year + 5 30 Jun 23	Pricing Period Starting Year + 6 30 Jun 24	Pricing Period Starting Year + 7 30 Jun 25	Pricing Period Starting Year + 8 30 Jun 26	Pricing Period Starting Year + 9 30 Jun 27	Total
(5000)	for year ended											
Capital Expenditure by Category												
Capacity growth		247,551	409,728	423,834	501,327	547,757	597,563	561,586	430,627	466,793	623,654	
Asset replacement and renewal		57,904	47,069	36,408	38,125	42,894	41,514	43,745	44,193	44,610	43,990	
Total capital expenditure		305,455	456,797	460,242	539,452	590,652	639,077	605,331	474,820	511,403	667,644	
Capital Expenditure by Key Capital Expenditure Project												
International Terminal (Check in, Outbound Baggage & Landside Dwell)		11,915	1,129	6,414	36,321	109,960	32,571	-	-	-	-	198,311
International Terminal (Airside Emigration & Dwell)		51,002	20,848	708	-	0	27,946	0	0	706	150,228	251,438
International Terminal (Pier and Connections)		78,194	55,066	43,089	0	0	0	0	29,953	64,717	66,185	337,203
International Terminal (Arrivals)		20,163	40,248	41,942	120	15,666	47,228	68,393	49,976	-	-	283,736
Ground Transport Centre / Plaza - Aeronautical elements (Ground Transport Centre / Plaza - Aeronautical elements)		1,138	535	592	15,878	29,317	8,685	3,604	-	-	-	59,748
Integrated Facility (Domestic Jet Facility (Phase 5))		35,854	135,708	139,159	177,837	141,625	47,961	39,478	535	1,624	933	720,712
Existing Domestic Terminal (Extension of Life)		-	11,295	11,814	-	-	5,683	-	-	-	-	28,792
Runway, Taxiway and Aprons (Code F Taxiway, Stands and Aprons)		11,345	6,130	3,040	61,372	120,408	228,116	168,896	-	-	-	599,307
Runway, Taxiway and Aprons (Code B/C/E taxiway, stands and aprons (Phase 5))		5,481	64,100	83,189	94,618	-	34,767	-	-	-	-	282,156
Runway, Taxiway and Aprons (Airfield Utilities)		8,675	18,656	4,718	1,172	1,223	1,270	1,318	2,810	2,924	9,641	52,407
Runway, Taxiway and Aprons (Flexible contingent runway)		-	-	-	-	-	-	-	-	-	-	-
Support Facilities (Business Technology)		5,064	3,577	3,741	3,906	6,017	4,235	4,394	4,564	7,009	4,945	47,452
Support Facilities (Acoustic Mitigation)		1,625	1,694	1,772	1,850	1,931	1,337	1,387	1,441	1,499	1,562	16,099
Support Facilities (AD&D Support Projects)		4,901	6,813	7,126	7,441	7,764	8,066	8,369	8,694	9,044	9,419	77,636
Support Facilities (Airport Emergency Services)		793	10,447	-	-	-	-	4,162	2,306	-	-	17,708
Support Facilities (Marketing Customer Service and Communications)		623	565	591	617	644	669	694	721	750	781	6,652
Support Facilities (Corporate)		1,184	1,150	1,203	1,256	1,310	1,210	1,255	1,304	1,357	1,413	12,641
Airport Campus Utilities (Utilities - Stormwater)		678	2,434	2,300	1,544	716	930	965	1,002	365	-	10,932
Airport Campus Utilities (Utilities - Water & Wastewater)		2,115	6,230	5,980	1,688	1,283	1,960	3,669	2,916	1,893	1,596	29,330
Airport Campus Utilities (Utilities - Power - LV and HV Power)		305	1,449	1,373	3,010	-	-	-	-	-	-	6,137
Airport Surface Access Network (Terminal Roads)		7,507	7,617	9,331	7,336	1,964	4,595	3,758	-	-	-	42,107
Airport Surface Access Network (Arterial and Other Roads)		11,413	18,198	11,017	12,371	27,274	25,674	13,261	4,484	9,937	25,218	158,847
Asset Maintenance (Slab Replacement and Runway Works)		8,666	9,036	9,451	9,869	10,297	9,360	9,712	10,089	10,495	10,931	97,906
Asset Maintenance (Airbridge Refurbishment)		1,517	1,581	1,654	1,727	1,802	1,872	1,942	2,018	2,099	2,186	18,398
Asset Maintenance (Business as Usual)		14,262	11,157	12,120	12,027	11,767	12,549	13,298	14,581	13,943	14,406	130,109
Second Runway incl Utilities (Second Runway incl Utilities)		11,270	18,377	57,398	86,256	96,441	128,525	256,431	337,078	382,704	367,825	1,742,304
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
Other capital expenditure		9,767	2,757	519	1,236	3,246	3,867	346	348	339	377	22,802
Total Capital Expenditure		305,455	456,797	460,242	539,452	590,652	639,077	605,331	474,820	511,403	667,644	5,250,872

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 5)

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232 **Basis for Cost Allocation**
 233 This information is included in the following sections of Auckland Airport's price setting disclosure:
 234 - Information about asset allocation can be found at Section 4.2.2;
 235 - Information about operating cost allocation can be found at Section 4.4.1; and
 236 - A description of the methodology used by Auckland Airport to allocate costs to particular charged services can be found at Section 9.4.
 237
 238 In Schedule 18(vi), we have rolled forward the total regulated asset base as at 30 June 2016 to get an estimate of the total regulated asset base at the start of the price setting event (i.e. closing FY17 / opening FY18). In this roll-forward,
 239 we have disclosed a forecast downwards adjustment resulting from cost allocation of approximately \$10 million. This represents the forecast change in floor space following the commissioning of the level one departures project and Pier
 240 B. The forecast space changes result in a lower allocation of the unallocated asset base to total regulated activities (and therefore to aeronautical pricing activities) compared to the previous terminal space allocation. Consistent with the
 241 approach taken in the pricing consultation and discussed with our airline customers, we have assumed for modelling purposes that this lower allocation is in place from the start of PSE3 and is consistent throughout the period. It is
 242 therefore disclosed as part of the roll-forward to generate the opening regulatory asset base as at the start of PSE3, rather than disclosed as an adjustment through the period. This adjustment is also shown in Schedule 19(vi).
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246 *An explanation of where and why disclosures differ from the cost-allocation Input Methodology and/or, where costs are shared between regulated and non-regulated assets, an explanation of the basis for that allocation.*

247 **Key Capital Expenditure Projects—Consumer Demands Assessment**
 248 This information is included in Auckland Airport's price setting disclosure at Section 7 and Appendix B.
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261 *An explanation of how consumer demands have been assessed and incorporated for each reported project and the degree to which consumers agree with project scope, timing and cost.*

262 **18(xi) Forecast operational expenditure**

263 (\$000)

	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
264 Corporate overheads	37,115	39,969	41,541	43,095	44,843
265 Asset management and airport operations	35,448	38,174	39,875	41,160	42,828
266 Asset maintenance	41,159	44,323	46,066	47,790	49,727
267 Forecast operational expenditure	113,722	122,465	127,281	132,045	137,398

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 6)

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277 **18(xii) Forecast financial incentives**

(\$000)	Pricing Period Starting Year + 0 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
Forecast pricing incentives	30	33	37	40	44
Forecast other incentives	5,680	6,440	5,200	5,200	5,200
Forecast total financial incentives	5,710	6,473	5,237	5,240	5,244

284 **18(xiii) Forecast revaluations**

	Pricing Period Starting Year - 1 30 Jun 17	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
Forecast CPI used to set prices						
Forecast pricing CPI (%)	1.34%	1.32%	1.71%	2.08%	2.05%	2.03%
Asset category revaluation rates (%)						
Land	1.34%	1.32%	1.71%	2.08%	2.05%	2.03%
Sealed Surfaces	1.34%	1.32%	1.71%	2.08%	2.05%	2.03%
Infrastructure and buildings	1.34%	1.32%	1.71%	2.08%	2.05%	2.03%
Vehicles, plant and equipment	1.34%	1.32%	1.71%	2.08%	2.05%	2.03%
Forecast revaluations (\$000s)						
Land	340	340	446	553	557	561
Sealed Surfaces	-	1	1	1	1	1
Infrastructure and buildings	414	457	729	1,142	1,286	1,266
Vehicles, plant and equipment	2	6	57	117	84	51
Total forecast revaluations	757	804	1,234	1,813	1,929	1,879
Value of any forecast revaluations not consistent with IMs						

302 **18(xiv) Alternative methodologies with equivalent effect**

Description of and explanation for any alternative methodologies with equivalent effect that have been applied and which components they have been applied to (including evidence to support that it is likely to have equivalent effect)

An alternative methodology with equivalent effect has been applied to the restated RAB value of airfield and terminal land in Schedule 24(ii). This restated RAB is also disclosed in Schedule 18(vi) above. This methodology is explained in more detail at Section 13 of Auckland Airport's price setting disclosure, along with evidence to support that it is likely to have equivalent effect.

For the avoidance of doubt, no alternative methodologies have been applied in rolling this restated FY16 value forward to generate the estimate of total regulatory asset base at start of price setting event disclosed in Schedule 18(vi), or the estimate of regulatory asset base (applicable to the price setting event) disclosed in Schedule 19(vi).

SCHEDULE 19: REPORT ON THE FORECAST PRICING ASSET BASE REVENUE REQUIREMENTS

ref Version 3.0

	Cash flow date	First Day of	Pricing Period Starting Year	Pricing Period Starting Year + 1	Pricing Period Starting Year + 2	Pricing Period Starting Year + 3	Pricing Period Starting Year + 4	Last Day of				
		Pricing Period	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	Pricing Period				
19(i): Forecast Internal Rate of Return (\$000)	1 Jul 17	30 Dec 17	2 Feb 18	30 Dec 18	2 Feb 19	31 Dec 19	3 Feb 20	30 Dec 20	2 Feb 21	30 Dec 21	2 Feb 22	30 Jun 22
Opening asset base (applicable to price setting)	1,145,635											
Opening carry forward adjustment	82,510											
Opening investment value	1,063,125											
<i>plus</i> Forecast revenue for services applicable to price setting event			310,100		324,198		336,957		353,318		371,531	
<i>less</i> Forecast assets commissioned			(189,118)		(393,041)		(331,303)		(238,847)		(265,757)	
<i>plus</i> Forecast cash flow from asset disposals												
<i>less</i> Forecast operational expenditure			(105,324)		(112,940)		(117,313)		(121,720)		(126,775)	
<i>less</i> Forecast unlevered tax			(41,438)		(39,708)		(36,422)		(36,978)		(37,639)	
Forecast closing asset base												2,189,524
Forecast closing carry forward adjustment												86,084
Forecast closing investment value												2,103,440
Forecast net cash flows	(1,063,125)	(335,879)	310,100	(545,689)	324,198	(485,038)	336,957	(397,545)	353,318	(430,170)	371,531	2,103,440
Forecast post-tax IRR as at 01 July 2017	6.99%											
NPV check	(0)	OK										

	Forecast closing carry forward from previous price setting event	Opening carry forward adjustments from current price setting event	Total opening carry forward adjustments	Please explain each adjustment and how this has been calculated
Default revaluation gain/loss adjustment			-	
Risk allocation adjustment			-	
Other carry forward adjustments	(3,574)	86,084	82,510	
Opening carry forward adjustment	(3,574)	86,084	82,510	

The opening carry forward adjustment is made up of two parts - "the Pier B adjustment" (-\$3.57m) which relates to the recovery of revenue for the Pier B development that was deferred from previous pricing periods, and the "moratorium adjustment" (\$86.1m) which accounts for the difference in revaluations for terminal and airfield assets between the start of the pricing moratorium in 2006 and the start of information disclosure regulation in 2010. Further information about these adjustments and how they have been calculated is included in Section 5.2 of Auckland Airport's price setting disclosure.

Provide a summary of any views expressed by substantial customers about the pricing approaches reflected in the opening carry forward adjustment
 Auckland Airport discussed both the Pier B adjustment and the moratorium adjustment with substantial customers through the aeronautical pricing consultation. No substantial customers opposed the Pier B adjustment or the intention to recover the deferred revenue in PSE3. Auckland Airport considers that the Pier B adjustment accurately captures the intention of Auckland Airport and airlines at the time prices were set in PSE1, and that this adjustment has airline support. For the moratorium adjustment, Auckland Airport shared its proposed approach to asset valuation with substantial customers through the aeronautical pricing consultation, including our proposal to use the opening and closing carry forward mechanism to disclose the ongoing impact of the moratorium on Auckland Airport's asset values related to aeronautical pricing activities. Airline feedback was consistent with this approach and no airlines raised any concerns about the use of the carry forward adjustment.

	(\$000)	Please explain each adjustment and how this has been calculated
Moratorium Adjustment	86,084	For the moratorium adjustment, there is a closing carry forward for PSE3 which is equivalent in value to the opening carry forward adjustment. This records the continuing impact of this downward
Total forecast closing carry forward adjustment	86,084	

Explain how the closing investment value provides a good indication of the remaining capital expected to be recovered by the airport in future pricing periods and provide a summary of substantial customer views on any closing carry forward adjustments
 The forecast closing investment value for PSE3 reflects the estimated remaining capital as at the end of PSE3 that is intended to be recovered in future pricing periods. It represents the value of Auckland Airport's regulatory asset base as at closing FY22, adjusted through a closing carry forward moratorium adjustment to remove revaluations between 2006 (the start of the moratorium) and 2010 (the start of information disclosure regulation) for airfield and terminal assets. In this way, the forecast closing investment value represents the ongoing impact of the moratorium on asset valuations on the estimated remaining capital as at the end of PSE3. The opening carry forward Pier B adjustment has been fully offset by the end of PSE3. More information about the closing carry forward adjustment is included in Section 5.3 of Auckland Airport's price setting disclosure.
 This approach was shared with substantial customers through the aeronautical pricing consultation. No substantial customers expressed any concerns with the closing carry forward adjustment or the pricing approaches reflected in that adjustment.

	Year of most recent annual disclosure (year ended)	First day of pricing period	Airport assumption		Default assumption	
			30 June 2016	1 July 2017		
Cash flow timing - revenues - days from year end			148	148	148	148
Cash flow timing - expenditure - days from year end			182	182	182	182

Explanation and evidence if airport assumption is different from default
 Auckland Airport has applied the same cash flow timing as the commission's default assumptions for forecast revenue and expenditure. However, we note that for some assets, the forecast assets commissioning (treated as a cashflow in the IRR calculation) is assumed to occur at the end of FY22. For these assets, the asset commissioning timing differs from the Commission's default assumptions. As part of the price consultation, it was agreed that assets expected to be commissioned before the end of FY22 but near the end of FY22 (primarily relating to the new DTB) would not impact prices in PSE3. In order to ensure that the IRR analysis in these disclosure schedules is consistent with our pricing, the value of these assets (\$0.625b) has been notionally retained in works under construction and disclosed as part of schedule 18(vii). If the schedule reflected the expected commissioning of these assets in FY22, the forecast balance of works under construction at 30/06/22 would be \$0.391b (\$0.625b lower than shown in this schedule 18(vii)) and the forecast RAB at 30/06/22 would be \$2.949b (\$0.625b higher than shown in schedule 18(i) and 18(vii)).

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 19: REPORT ON THE FORECAST PRICING ASSET BASE REVENUE REQUIREMENTS (cont 2)

ref Version 3.0

19(v): Total Revenue Requirement for Pricing Assets

Overview of the methodology used to determine the revenue requirement for pricing assets

An overview of the methodology used to determine the revenue requirement is provided at Section 3 of Auckland Airport's price setting disclosure. Further information on the revenue requirement components is included in Section 4, and a description of the pricing methodology used by Auckland Airport to set Standard Charges is included at Section 9.

(\$000)	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
Forecast revenue from airport activity charges applicable to the price setting event	306,654	320,566	333,127	349,279	367,273
Forecast lease, rental and concession income (applicable to the price setting event)	3,446	3,633	3,830	4,038	4,259
plus Forecast other operating revenue (applicable to the price setting event)	-	-	-	-	-
Forecast pricing revenue for services applicable to the price setting event pricing revenue requirement (excluding assets held for future use revenue)	310,100	324,198	336,957	353,318	371,531
less Forecast operational expenditure	105,324	112,940	117,313	121,720	126,775
less Forecast depreciation	48,591	55,755	72,792	84,838	90,948
less Forecast unlevered tax	41,438	39,708	36,422	36,978	37,639
plus Forecast revaluations	-	-	-	-	-
Forecast regulatory profit / (loss)	114,747	115,796	110,430	109,781	116,169
Forecast regulatory investment value	1,233,739	1,468,842	1,773,546	1,984,466	2,149,472
ROI - comparable to a post tax WACC	9.30%	7.88%	6.23%	5.53%	5.40%
Forecast cost of capital	6.85% to 8.1%				

Explain any difference between the post-tax IRR on the pricing asset base and the post-tax IRR on the regulated asset base

A full description of Auckland Airport's approach to its forecast cost of capital and forecast target return (i.e. post-tax IRR) is provided at Section 4.3 of Auckland Airport's price setting disclosure. This includes an explanation of the differences between the post-tax IRR on the pricing asset base and the post-tax IRR on the regulated asset base (Section 4.3.2).

It is noted that the ROI calculation does not include any adjustments for the balance of carry forward adjustments and assumes mid-year cash-flows.

Forecast pricing revenue requirement from airport charges (including assets held for future use charges)

Forecast pricing revenue requirement (excluding forecast revenue from assets held for future use revenues)	310,100	324,198	336,957	353,318	371,531
Forecast revenues from assets held for future use charges	-	-	-	25,254	26,057
Forecast pricing revenue requirement from airport charges (including forecast revenue from assets held for future use charges)	310,100	324,198	336,957	378,572	397,588

Description of any other factors that are considered in determining the forecast total revenue requirement

No "other factors" (as defined in the ID Determination) were considered in determining the forecast total revenue requirement, other than those discussed in Sections 4.1 - 4.7 of Auckland Airport's price setting disclosure.

We note that the forecast assets held for future use revenue disclosed in line 101 above is the pre-tax revenue associated with the Runway Land Charge (ie the forecast total revenue from "airport charges" associated with assets held for future use).

Regulated Airport
Pricing Period Starting Year Ended

Auckland International Airport Limited
30 June 2018

SCHEDULE 19: REPORT ON THE FORECAST PRICING ASSET BASE REVENUE REQUIREMENTS (cont 3)

ref Version 3.0

(\$000)

120 **19(vi): Opening Regulated Asset Base (applicable to price setting)**

		30 Jun 17
121	Regulated asset base (applicable to price setting) as at 30 June 2016	1,015,688
122		41,521
123	less Forecast depreciation	-
124	plus Forecast revaluations	182,693
125	plus Assets commissioned	863
126	less Asset disposals	(10,362)
127	plus (less) Forecast adjustment resulting from cost allocation	1,145,635
128	Estimate of regulated asset base (applicable to price setting) at start of price setting event	

	Pricing Period Starting Year - 1 30 Jun 17	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
129	<i>for year ended</i>					
130						

131 **19(vii): Forecast Asset Base (applicable to price setting)**

132	Forecast pricing asset base—previous year	1,015,688	1,145,635	1,273,251	1,608,679	1,865,622	2,018,472
133	less Forecast depreciation	41,521	48,591	55,755	72,792	84,838	90,948
134	plus Forecast revaluations	-	-	-	-	-	-
135	plus Assets commissioned	182,693	189,118	393,041	331,303	238,847	265,757
136	less Asset disposals	863	12,911	1,858	1,569	1,159	3,756
137	plus (less) Forecast adjustment resulting from cost allocation	(10,362)	-	-	-	-	-
138	Forecast pricing asset base	1,145,635	1,273,251	1,608,679	1,865,622	2,018,472	2,189,524

Description of and explanation for the depreciation methodology applied

Auckland Airport has forecast depreciation based on the economic life of existing assets, and for new assets based on the average economic life of that asset class (determined with reference to the historical cost weighted depreciation of assets in existence prior to 30 June 2016). Straight line depreciation was used for all pricing assets. Auckland Airport's approach to depreciation is explained in more detail in Section 4.5 of the price setting disclosure.

SCHEDULE 20: REPORT ON DEMAND FORECASTS

ref Version 3.0

6 20a: Passenger terminal demand

			Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	
			for year ended	+ 1	+ 2	+ 3	+ 4	+ 5	+ 6	+ 7	+ 8	+ 9
			30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27
7	(000)											
9	Busy hour passenger numbers	Inbound passengers										
10		Domestic	1.618	1.671	1.726	1.783	1.842	1.875	1.908	1.942	1.976	2.011
11		International	2.018	2.093	2.171	2.252	2.336	2.419	2.505	2.594	2.686	2.782
12		Combined *										
13	Outbound passengers	Domestic	1.411	1.440	1.470	1.500	1.531	1.557	1.584	1.611	1.638	1.666
14		International	2.114	2.194	2.277	2.363	2.450	2.533	2.618	2.706	2.797	2.892
15		Combined *										
* No disclosure of combined terminal forecasts is required for airports with no shared passenger terminal functional components.												
17	Number of passengers during year	Inbound passengers										
18		Domestic	4,439	4,598	4,719	4,840	4,969	5,107	5,249	5,396	5,550	5,707
19		International	5,192	5,421	5,610	5,801	6,006	6,230	6,463	6,707	6,962	7,227
20		Total	9,631	10,019	10,329	10,641	10,975	11,337	11,711	12,103	12,512	12,934
21	Outbound passengers	Domestic	4,368	4,528	4,651	4,774	4,905	5,045	5,189	5,340	5,496	5,657
22		International	5,109	5,339	5,529	5,722	5,928	6,155	6,390	6,636	6,895	7,162
23		Total	9,477	9,867	10,180	10,496	10,834	11,200	11,579	11,976	12,391	12,819
24		International transit and transfer passengers [†]	688	715	737	759	782	807	833	860	889	918

[†] NB. Forecasts of international transit and transfer passenger numbers relate only to airports with extant or planned international transit and transfer facilities

SCHEDULE 20: REPORT ON DEMAND FORECASTS (cont)

ref Version 3.0

34 20b: Aircraft Runway Movements

		Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	Pricing Period Starting Year	
		for year ended	+ 1	+ 2	+ 3	+ 4	+ 5	+ 6	+ 7	+ 8	+ 9
		30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27
35	(000)										
36											
37	Movements during busy period (total number of aircraft)	0.043	0.044	0.044	0.045	0.046	0.046	0.047	0.047	0.048	0.048
38		0.530	0.541	0.552	0.563	0.575	0.586	0.598	0.610	0.622	0.634
39											
40	Landings during year (total number of aircraft)										
41	Aircraft 30 tonnes MCTOW or more	51	52	53	55	56	57	58	59	61	62
42	Aircraft 3 tonnes or more but less than 30 tonnes MCTOW	33	34	34	35	35	36	37	37	38	39
43	Aircraft less than 3 tonnes MCTOW	2	3	3	3	3	3	3	3	3	3
44	Total	86	88	90	92	94	96	97	99	101	104
45	Landings during year (total MCTOW in tonnes)										
46	Aircraft 30 tonnes MCTOW or more	7,508	7,756	7,948	8,139	8,344	8,593	8,849	9,116	9,394	9,671
47	Aircraft 3 tonnes or more but less than 30 tonnes MCTOW	638	656	670	683	698	716	734	754	774	795
48	Aircraft less than 3 tonnes MCTOW	3	3	3	3	3	3	3	3	4	4
49	Total	8,149	8,415	8,621	8,826	9,045	9,312	9,587	9,873	10,172	10,469
50	Landings during year (total number of aircraft)										
51	Air passenger services—international	27	28	29	29	30	31	32	32	33	34
52	Air passenger services—domestic	55	56	57	58	59	61	62	63	64	65
53	Other aircraft	4	4	4	4	4	4	4	4	4	4
54	Landings during year (total MCTOW in tonnes)										
55	Air passenger services—international	5,646	5,845	6,001	6,157	6,324	6,535	6,752	6,979	7,216	7,459
56	Air passenger services—domestic	2,251	2,320	2,372	2,423	2,477	2,536	2,595	2,657	2,722	2,787
57	Other aircraft	252	250	248	246	244	241	239	237	234	223

Description of the basis for forecasts, and/or assumptions made in forecasting

The primary source for demand forecasts was DKMA. This was compared to internal budget estimates for FY18. With the exception of international, there was no material difference between budget estimates and DKMA. For international the budget estimate was higher than forecast. The budget estimate was adopted for FY18 for international, reaching alignment with the DKMA estimate by FY22. All other forecasts were based on the DKMA annual forecast.

**SCHEDULE 22 CERTIFICATION FOR FORECAST TOTAL REVENUE REQUIREMENTS
AND PRICING DISCLOSURES**

Clause 2.7(2)

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 attached Report on Forecast Total Revenue Requirements and Report on Demand Forecasts and the following attached information of Auckland International Airport Limited prepared for the purposes of clause 2.5 of the Airport Services Information Disclosure Determination 2010 in all material respects complies with that determination.

.....
Director

.....
Director

.....
Date

31/07/2017

**SCHEDULE 23 CERTIFICATION FOR ALTERNATIVE METHODOLOGY WITH
EQUIVALENT EFFECT**

Clause 2.7(3)

I, Michael Graham, being a senior manager of Auckland International Airport Limited, certify that, to the best of my knowledge, all reasonable enquiry has been made to ensure that the alternative methodologies with equivalent effect in the Report on Forecast Total Asset Base Revenue Requirements set out in Schedule 18 of the Airport Services Information Disclosure Determination 2010 are likely to comply with clause 3.13(2)(a) and comply with clause 3.13(2)(b) of the Airport Services Input Methodologies Determination 2010.

I make this certification based on the evidence disclosed in accordance with clause 2.5(1)(t)(v).

.....
Signature

.....
Date

26/7/2017

Regulated Airport
For Year EndedAuckland International Airport Limited
30 June 2018

SCHEDULE 24: TRANSITIONAL REPORT ON REGULATORY ASSET BASE VALUE

ref Version 3.0

24(i): Regulatory Asset Base Value (Rolled Forward)		RAB 30 Jun 12 (\$000)	RAB 30 Jun 13 (\$000)	RAB 30 Jun 14 (\$000)	RAB 30 Jun 15 (\$000)	RAB 30 Jun 16 (\$000)
		<i>For year ended</i>				
	Total opening RAB value	1,072,845	1,048,155	1,049,621	1,058,634	1,075,560
less	Total depreciation	43,010	42,531	40,217	41,151	46,758
plus	Total revaluations	540	383	908	240	240
plus	Assets commissioned	16,305	44,186	49,175	60,787	73,617
less	Asset disposals	88	(50)	(0)	607	4,166
plus	Lost and found assets adjustment	(1,726)	–	–	–	–
plus	Adjustment resulting from asset allocation	3,288	(621)	(852)	(2,343)	8,733
	Total closing RAB value	1,048,155	1,049,621	1,058,634	1,075,560	1,107,225

24(ii): Asset Classes		Land	Sealed Surfaces	Buildings	Equipment	Total *
	RAB value—previous disclosure year	325,230	212,061	512,198	26,071	1,075,560
less	Regulatory depreciation	2	10,344	28,008	8,404	46,758
plus	Indexed revaluations	80	–	160	–	240
plus	Periodic land revaluations	–	–	–	–	–
plus	Assets commissioned	4,304	14,851	42,908	11,554	73,617
less	Asset disposals	–	131	3,950	85	4,166
plus	Lost and found assets adjustment	–	–	–	–	–
plus	Adjustment resulting from cost allocation	5,150	1,593	(896)	2,885	8,733
	RAB value	334,762	218,030	522,413	32,020	1,107,225

* Corresponds to values in RAB roll forward calculation.

24(iii): Assets Held for Future Use		Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total
	Assets held for future use—previous disclosure year	159,316	104,008	(6,523)	(13,431)	256,416
plus	Assets held for future use—additions ¹	2	21,731	(1,337)	–	23,070
less	Transfer to works under construction	–	–	–	–	–
less	Assets held for future use—disposals	2,094	487	–	(58)	2,522
	Assets held for future use ²	157,224	125,252	(7,860)	(13,373)	276,963

¹ 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'.

Description of and explanation for any alternative methodologies with equivalent effect that have been applied and which components they have been applied to (including evidence to support that it is likely to have equivalent effect)

The process used to produce this transitional schedule is discussed in more detail in Section 12 of Auckland Airport's price setting disclosure. That process includes the application of an alternative methodology with equivalent effect, which has been applied to generate the rolled-forward value of airfield and terminal land assets as at 30 June 2016. This alternative methodology is described in more detail in Section 13 of Auckland Airport's price setting disclosure.