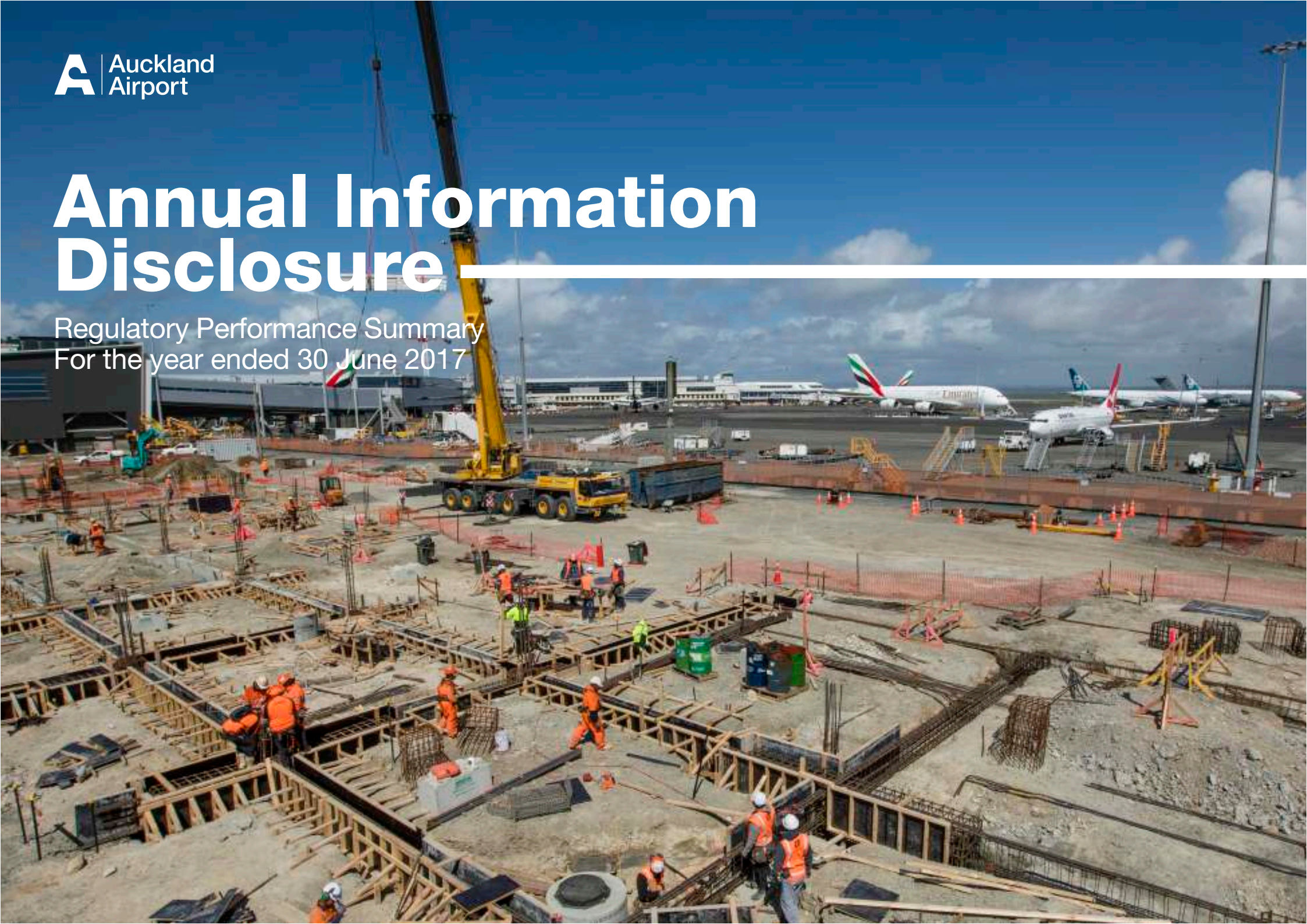
Auckland Airport

Annual Information Disclosure

Regulatory Performance Summary
For the year ended 30 June 2017



Chair and Chief Executive's report

In 2012, Auckland Airport set its aeronautical prices for the 2013-2017 financial years ("PSE2") following consultation with airlines. Our aim was to set moderate prices for airlines that would enable us to deliver quality experiences for our passengers and fair returns for our investors.

Since then, we have sought to meet or exceed our growth targets while delivering good outcomes for passengers, airlines and other stakeholders at our airport. Auckland Airport is confident that we have delivered on the objectives we committed to in 2012.

Over the past five years, we have seen unprecedented growth in connectivity to, from and through Auckland Airport, evidenced by a 36% increase in total passengers over that time. There are now 30 international airlines operating here, up from 18 airlines in 2012, with strong growth in the number of flights and seats connecting New Zealand's domestic destinations. We have worked hard to respond to this significant upsurge in growth – investing 80% more than forecast for the past five years on our core aeronautical infrastructure.

To help accommodate the ongoing increase in passengers and aircraft using Auckland Airport, we are now spending more than $1 million every working day on our core airport infrastructure. During the 2017 financial year we progressed the upgrade of our international terminal, further developed our airfield, and prioritised transport improvements around the airport precinct. We also made significant progress on our medium-term planning in consultation with the aviation industry, and released our plan to invest around another $2 billion in aeronautical capital expenditure over the five financial years to 2022.

Providing quality services to our passengers and airlines is a key objective for Auckland Airport, and we maintained our customer focus over the past five years. We acknowledge that the combination of growth, ageing assets, and major construction works put pressure on our facilities at times over PSE2. Faced with these challenges, we worked hard to address issues that arose, ensure that passenger journeys through the airport were as fast and efficient as possible, and to minimise disruption for passengers and airlines associated with our ongoing construction programme.

Going forward, our significant commitment to infrastructure investment will ensure that we can provide great quality services for passengers and airlines well into the future. We recognise that the transition may not always be smooth, but we are committed to providing the best possible service to our customers as we undertake this major evolution of our facilities.

Auckland Airport's regulatory disclosures show that the information disclosure regime for airports, under Part 4 of the Commerce Act 1986, is working. We are focused on providing great outcomes for consumers, and ensuring that our disclosures provide an accurate and meaningful summary of Auckland Airport's performance over time. This disclosure – the final disclosure for the 2013-2017 pricing period – demonstrates that we aim to deliver real benefits for our airline customers, passengers, investors, Auckland and New Zealand through proactively seeking improvements over time and responding to changing market conditions.

Implementation of our 30-year vision to build the "airport of the future" is now well underway. It's creating jobs, boosting tourism and lifting our regional economy. We are playing our part to maintain New Zealand's reputation as one of the world's great travel destinations, and we look forward to continuing to work towards our vision in the coming 2018 financial year.

Sir Henry van der Heyden
Chair

Adrian Littlewood
Chief Executive

Investing in sustainable growth in New Zealand tourism

Auckland Airport plays an active role in growing connectivity within and to New Zealand. We believe that sustainably growing air connectivity is a key part of operating a modern airport, and contributes to improved short and long-term outcomes for consumers.

We have continued to sustainably grow travel markets to increase our air connectivity, which is essential for a city and country reliant on tourism and trade for its economic prosperity. Although travel demand was relatively quiet at the time we set prices in 2012, Auckland Airport has experienced a period of unforeseen and rapid growth since 2015.

This growth continued in the year to 30 June 2017, with the total number of passengers using our airport increasing by 10.2% to 19 million. Domestic passengers were up 8.9% to 8.6 million, international passengers (excluding transit passengers) were up 11% to 9.7 million and international transit passengers were up 16.8% to 0.7 million.

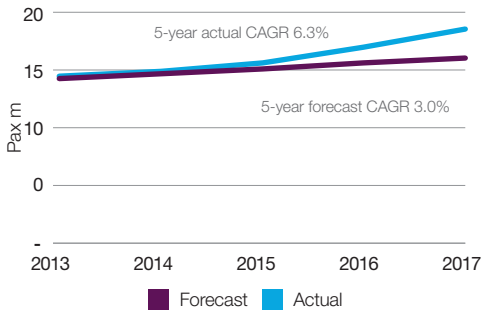
Building on the capacity growth in recent years, the 12 months to 30 June 2017 saw strong growth in domestic connectivity, which included Air New Zealand and Jetstar adding another 330,000 regional seats over the year. This financial year also saw the launch of eight new international routes, seven new international airlines and a 14.5% increase in international seat capacity.

We have maintained our support for the New Zealand tourism industry in the 2017 financial year, especially for the operators who provide our international visitors with high-quality experiences. We continued to work alongside travel and tourism industry leaders throughout the country, and we provided two grants of $50,000 to support operators who offer outstanding seasonal and regional tourism products for visitors from China, Australia, United States or India. We also joined with other industry leaders to encourage the Government to develop new and innovative ways to upgrade tourism infrastructure.

Auckland Airport expects capacity growth to continue into the future, albeit at a slower rate than we have seen over the past few years.

Passenger growth FY13 – FY17

Price Setting Event 2 FY13-FY17 ("PSE2")



30
international airlines now operating into Auckland Airport – up from 18 in 2012

46
international destinations now serviced from Auckland Airport

36%
increase in total passengers over the past five years

$522m
invested in capital expenditure projects over the last 5 years

June 2017
opened new security screening space as first stage of international departure upgrade

+80,000m²
added to the airfield over the last five years

Delivering a capital investment programme that responds to demand

Auckland Airport is committed to ongoing investment for the benefit of our city, country, customers and investors.

Over the past five years, we have responded to the unforeseen increase in aeronautical demand at Auckland Airport by accelerating our core airport infrastructure investment programme. We have invested $522 million in capital investment projects over this period, an 80% increase on the forecast of $290 million when prices were set and the demand environment was more subdued. This large step-up in infrastructure investment in the second half of the 2013-2017 pricing period plus the material increase forecast over the next ten years will ensure we can accommodate the passenger and aircraft growth over the next 30 years, as well as the increasing traffic volumes around, to and from the airport.

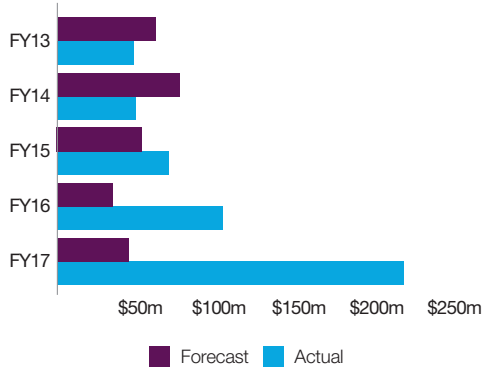
In the 12 months to 30 June 2017, Auckland Airport undertook its most significant infrastructure upgrade programme ever, playing our part in support of strong and ongoing growth in New Zealand tourism. We progressed the major upgrade of our international departure area, opening the new security screening space in late June 2017. We also commenced construction of the international terminal's Pier B extension, which will provide two more gate lounges and additional airbridges to accommodate the increasing number of international aircraft using our airport. The first new gate lounge and its airbridges will open on Pier B prior to the 2017/18 summer peak season.

We have also significantly expanded our airfield infrastructure to better service international aircraft during our busiest months. We built a new taxiway and completed the construction of a new international airfield stand, fully serviced with fuel and other utilities. We progressed the construction of a second, fully serviced international airfield stand, scheduled for completion prior to the 2017/18 summer peak season, and made other upgrades to our airfield stands.

In the 12 months to 30 June 2017, we also progressed the design and planning approvals needed to build our second runway, and have advanced the concept planning of the new domestic jet terminal.

Improving travel times and flows around the airport precinct has also been a priority for the company in the 2017 financial year. We fast-tracked a number of planned roading and transport upgrades on our own network in the past 12 months, including upgrades to our major intersections to improve traffic flows and access to the airport. We also developed new traffic management plans for use when the airport roading network is particularly busy, and continued to work closely with the New Zealand Transport Agency and Auckland Transport to advance roading and public transport solutions for South Auckland and the airport precinct.

Aeronautical capital expenditure FY13 – FY17



Committed to operating efficiently and effectively

Auckland Airport is focused on operational and capital efficiency in all aspects of our performance. We continue to enhance our terminals, airfield and the wider airport precinct to create better and faster passenger journeys, and to facilitate efficiencies for the benefit of our customers.

A key focus is to maximise the utility of our existing assets. This includes pursuing innovation and striving for best practice maintenance, management technology and operational efficiency. We also work hard to reduce operating costs per passenger over time, which has occurred over the past five years.

We continued to make significant investments in core technology infrastructure during the 2017 financial year to support efficient outcomes, introducing new technology and upgrading existing systems. This has provided greater data gathering and analysis capability than ever before, and we continue to share information and insights with our airline customers and border agencies through constructive and collaborative working groups.

Over the 2017 financial year, we worked hard to explore process efficiency options alongside capital expenditure. For example, Auckland Airport has a dedicated project team that focuses on delivering airfield and terminal efficiencies for the summer peak – identifying planning and operational improvements to cater for the seasonal aircraft and passenger peak within the existing terminal and airfield footprint.

Auckland Airport continued to work closely with government agencies during the 2017 financial year to improve the efficiency of border services for our passengers. In particular we worked with the New Zealand Aviation Security Service to improve processing times by installing a seventh security screening machine in the international departure area and improving the international transit screening facility.

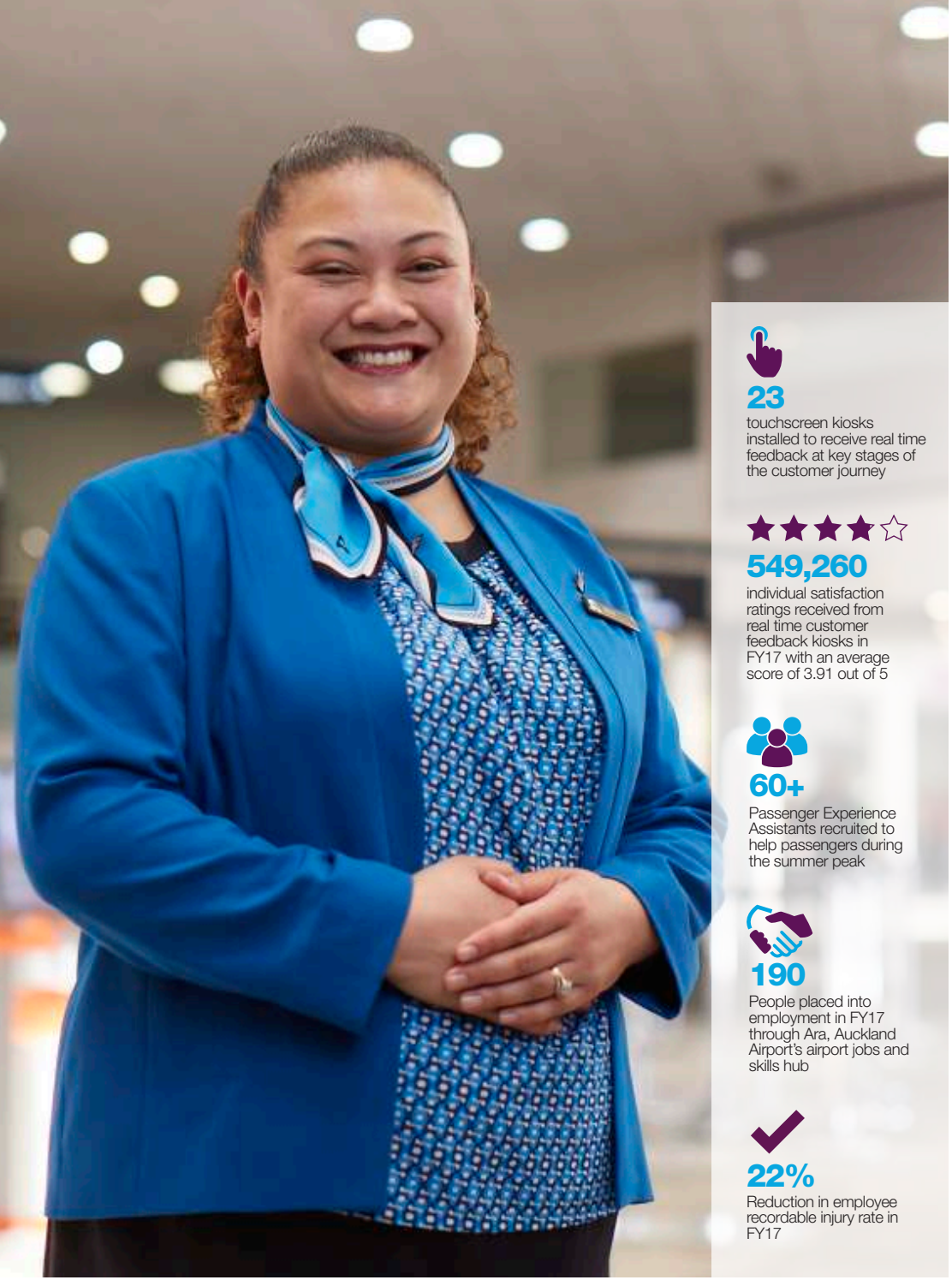
We remained focused on the importance of biosecurity screening to New Zealand in the past 12 months. We worked with the Ministry for Primary Industries (MPI) to improve its international arrival process, by introducing an additional baggage X-ray machine, new detector dog teams, and a new biosecurity area layout. We also opened a Green Lane, constructed for MPI by Auckland Airport, which helps deliver faster processing times for New Zealand and Australian passport holders who arrive in the country and do not have any food or other biosecurity risk items to declare.

Auckland Airport also values sustainable operational, maintenance and construction practices. A range of energy efficiency projects were deployed in the 2017 financial year to reduce energy consumption across the terminals and airport precinct, and waste minimisation activities substantially increased the rate of landside and airside recycling.

Operating costs per passenger FY13 – FY17

45
mobile international self-service check-in kiosks installed

15
next generation SmartGate Plus gates installed to process international arrivals and departures



23
touchscreen kiosks installed to receive real time feedback at key stages of the customer journey

549,260
individual satisfaction ratings received from real time customer feedback kiosks in FY17 with an average score of 3.91 out of 5

60+
Passenger Experience Assistants recruited to help passengers during the summer peak

190
People placed into employment in FY17 through Ara, Auckland Airport's airport jobs and skills hub

22%
Reduction in employee recordable injury rate in FY17

Meeting and exceeding customer expectations

During the 2017 financial year we remained focused on our customers to ensure they had safe and enjoyable journeys when travelling through Auckland Airport. We delivered a number of improvements across our terminals to help provide the best possible passenger experience during a period of significant change.

We made improvements to the check-in process for the international terminal, installing 45 mobile international self-service check-in kiosks, reconfiguring our international check-in area to provide 13 more serviced counters, and upgrading our back-of-house international baggage handling system.

Auckland Airport recruited more than 60 Passenger Experience Assistants to help passengers during our busy December and January months, and additional Customer Service Agents were recruited to proactively assist travellers requiring assistance. We also expanded our popular concierge service for international passengers who value a personalised and dedicated arrival facilitation service.

In the 2017 financial year, we continued to explore ways to communicate with our passengers and to understand their needs. This has included the introduction of digital touchscreens across our terminals to facilitate customer feedback, as well as a significant upgrade to our Auckland Airport mobile app and website to provide better information and services to our passengers. We also added new technology to monitor real-time traffic movements across the airport precinct so we can improve the journey time information we provide through our mobile and digital channels.

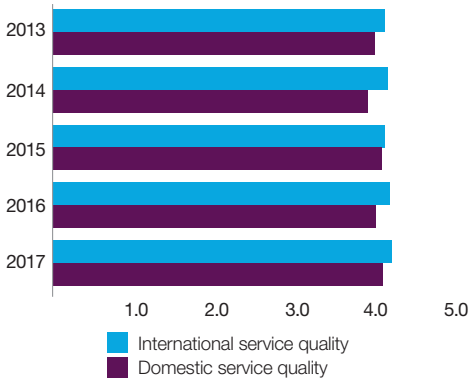
The reliability of our services was very good in the 2017 financial year, with high availability of our runway, taxiways, stands, airbridges, baggage systems and ground power units.

This year we introduced a new Drop & Ride service which has reduced traffic volumes on the inner airport roads and in the drop-off/pick-up zones at the terminals and is a quick and easy way to drop off friends and family for their travel. We also introduced The Wait Zone for domestic customers, a 30-minute free parking option located just two minutes from the terminal which helps keep traffic moving in the domestic terminal's drop-off/pick-up zone.

Auckland Airport has undertaken and advanced the planning of a number of roading and transport upgrades on our network, including upgrades to our major intersections to improve traffic flows and access to the airport. We also developed new traffic management plans for use when the airport roading network is particularly busy, and continued to work closely with the New Zealand Transport Agency and Auckland Transport to advance roading and public transport solutions for South Auckland and the airport precinct.

In addition, in the 2017 financial year we continued to deliver on our wider commitments to environmental sustainability, health and safety, and being a good neighbour to those communities located adjacent to the airport – including through Ara, our airport jobs and skills hub. In the 12 months to 30 June 2017, Ara organised 1,342 training opportunities and placed 190 people into employment – 156 of them living in South Auckland and 74 of whom were previously receiving a central government benefit.

Passenger satisfaction FY13 – FY17



Earning a fair and reasonable return

When Auckland Airport set prices in 2012, our objective was to target a fair return. We wanted to ensure that the resulting charges were reasonable by adopting a meaningful and transparent consultation process with our substantial customers. Our prices were reviewed by the Commerce Commission, which estimated that Auckland Airport had targeted a return of 8%, just within its "acceptable range".

It is important that airports have the right incentives to continue to invest in growing travel markets, airport operations, and core airport infrastructure. New Zealand's regulatory regime is designed to provide regulated businesses with incentives to outperform in a way that generates benefits for consumers over time. Auckland Airport has therefore sought to meet or exceed our growth targets without compromising quality outcomes for consumers in the short or long-term.

It is important to consider the interaction between demand, operating expenditure and capital expenditure when considering variations between forecast and actual performance. We applied a combination of operating solutions and capital solutions in different situations to respond to the substantially different demand circumstances we faced over this pricing period. Although revenues were higher than forecast as unforeseen aeronautical demand growth materialised, we also increased capital investment to keep pace with that growth – investing over 80% more than forecast over the past five years in our aeronautical infrastructure. Operating costs were also $60 million higher than forecast, while remaining relatively stable on a per passenger basis.

Together, this investment ensured that Auckland Airport provided very good levels of service overall, and high quality facilities for all consumers at the airport during a period of exceptional growth. It has also ensured that these standards will be maintained in the long-term, including as the infrastructure we are currently building becomes available for use.

Our overall return for the past five financial years was 8.5%, close to the forecast target return set in 2012, despite material changes between the pricing forecasts and actual outcomes for a number of pricing elements. We therefore consider our returns over PSE2 to be fair and reasonable, reflecting our continuing efforts to grow New Zealand's travel, trade and tourism and our commitment to delivering the infrastructure needed to cater for that current and forecast growth.

Annual Disclosure Commentaries

30 June 2017

Auckland Airport

CONTENTS

Cover: Artist's impression of the combined domestic and international terminal.

Executive summary

1.1 Introduction

The purpose of annual information disclosure (ID) is to provide sufficient information to enable interested parties to assess Auckland Airport's performance in meeting the purpose of Part 4 of the Commerce Act 1986 (the Act). It also allows interested parties and the Commerce Commission (Commission) to analyse Auckland Airport's performance over time, and to compare that performance with Wellington Airport and Christchurch Airport.

Auckland Airport is committed to the success of the ID regime, working with our passengers, customers and the Commission to deliver long-term benefits for consumers, and to promote the purpose of Part 4 of the Act. We believe the ID reporting regime provides an effective way to understand an airport's performance in relation to its regulated services, including pricing arrangements, quality of service, capacity utilisation, and capital investment.

We encourage interested parties to exercise caution when interpreting variances between forecast and actual performance, when considering an airport's performance alongside a notional industry benchmark estimate, and when making comparisons between airports. Contextual information is always important to properly understand an airport's performance, and there are complex interactions that make it difficult to assess individual elements – such as operational expenditure, capital expenditure, innovation, quality and profitability – in isolation. We have sought to provide contextual information in this disclosure to help interested parties understand Auckland Airport's performance, and how we are seeking to provide good outcomes for consumers over time.

Auckland Airport typically consults on and sets charges for the use of its aeronautical facilities and services every five years. The process of setting charges and the five-year period that the charges relate to are both referred to as a "price setting event".

This disclosure is the final disclosure relating to the price setting event that applied from 1 July 2012 to 30 June 2017 (FY13 – FY17). This was the second price setting event subject to the Part 4 ID regime, and is typically referred to as "PSE2".

As this is the final year of PSE2, this executive summary describes Auckland Airport's approach to delivering benefits for consumers and our key successes over the five-year period up to and including FY17.

In accordance with our ID obligations, we describe our FY17 performance in more detail in the schedules and the notes for those schedules included in this summary report. These notes provide examples or evidence of how we have performed against the Part 4 objectives for the 2017 disclosure year.

1.2 Overview of PSE2 – a period of rapid growth

Auckland Airport plays an active role in growing connectivity within and to New Zealand. We believe that enabling sustainable air connectivity is a key part of operating a modern airport, and contributes to improved short and long-term outcomes for consumers.

Over PSE2, we have initiated and promoted programmes to support sustainable growth, in conjunction with our key stakeholders. Our ongoing investment in route development

continues to contribute to international air connectivity, and our support for the New Zealand tourism industry has helped operators to increase their awareness of market trends and to develop innovative new products that appeal to international tourists. Our growth initiatives continue to receive international recognition, with Auckland Airport honoured several times at the Routes Asia Marketing Awards and the World Routes Marketing Awards – awards voted for and judged by the airline network planning community.

The number of international airlines operating into Auckland Airport – which had previously remained relatively steady at approximately 18 airlines for about a decade – has skyrocketed over PSE2 to 30 airlines. Auckland Airport currently connects New Zealand to 46 international destinations, and there are now approximately 10,000 more international flights into Auckland Airport per year than at the end of PSE1.

Domestic air connectivity has also grown strongly over PSE2, with an additional 650,000 seats added to New Zealand's domestic network in the last two years of PSE2 alone. Among other initiatives to support growth and capacity in the domestic market over PSE2, Auckland Airport has built new facilities to accommodate Jetstar's entry into the New Zealand regional market – facilitating consumer choice and fare competition on flights to Napier, New Plymouth, Nelson and Palmerston North. Both Jetstar and Air New Zealand have increased the size of their domestic aircraft fleet and the number of flights they operate to and from Auckland Airport.

The combination of new airlines, new routes, and new capacity over PSE2 has generated a period of rapid growth. Although this growth has brought some challenges (as discussed elsewhere in this summary), it has also provided substantial benefits to consumers through:

- increased destination choice and price competition for passengers;
- increased traffic on the domestic network once international passengers arrive in the country, benefitting domestic carriers; and
- the ability to spread the future cost of providing aeronautical services over more demand when prices are reset, as they were recently for FY18-22.

Sustainable growth over time also provides a substantial contribution to the economic success of Auckland and New Zealand, and is essential for Auckland Airport's long-term performance.

Our PSE2 success stories – a period of rapid growth

- 30 international airlines operating into Auckland Airport in FY17, up from 18 in FY12.
- Auckland Airport now connects New Zealand to 46 international destinations, up from 33 in FY12.
- New facilities built to support Jetstar's entry into the New Zealand regional market.
- 36% increase in total passenger numbers over PSE2, from 14 million in FY12 to 19 million in FY17.
- 22% increase in international aircraft movements, from approximately 45,000 movements in FY12 to approximately 55,000 in FY17; 4% increase in domestic aircraft movements over the same time period.
- 33% increase in total MCTOW over PSE2, reflecting growth in the number of services as well as increasing numbers of larger aircraft using Auckland Airport.
- Route development initiatives acknowledged at industry marketing awards, including: Winner (4-20 million passengers) – Routes Asia 2015 Marketing Awards, Overall Winner – Routes Asia 2016

Marketing Awards, Highly Commended – World Routes 2016 Marketing Awards, shortlisted for World Routes 2017 Marketing Awards.

The successful delivery of value to our customers over PSE2, can be traced to five fundamental principles:

- Having an appropriate incentive to invest;
- Identifying and implementing innovations;
- Operating efficiently and effectively, including generating efficiencies and sharing the benefits of those efficiency gains;
- Meeting and exceeding customer expectations by providing services of the quality and range required by consumers; and
- Earning a fair and reasonable return over time.

We believe Auckland Airport's objectives set at the start of PSE2 and our actions during the period have been consistent with these principles.

In the following sections, we set out why we believe these principles remain important, how we consider success can be measured, and the actual PSE2 outcomes relative to these principles.

1.3 Having an appropriate incentive to invest

Auckland Airport is committed to ongoing investment for the benefit of our city, country, customers and investors. We aim to invest in smart airport infrastructure to support growth, increase productivity and optimise the efficiency of our airport assets.

Our investment philosophy has remained consistent over PSE2. We consider that:

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

Our broad capital investment priorities over this pricing period have also remained consistent. We have sought to:

- Protect and enhance core operations throughout PSE2;

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

We consider that our forecast investment plan and the delivery of actual investment over PSE2 were consistent with these objectives.

When prices were set for PSE2, Auckland Airport forecast the most likely scenario of capital expenditure based on factors sufficiently known at that time. This forecast was generally considered to be reasonable by our airline customers, and the Commission stated that there was no evidence of planned over- or under-investment at Auckland Airport. However, at the time we set prices we also acknowledged the potential for variability and uncertainty. We were clear that project priorities would be influenced by the nature of demand growth and that capital expenditure decisions could not be considered in isolation of the actual demand environment over the pricing period.

As we have seen, circumstances over PSE2 have been materially different from the assumptions that underpinned the forecasts at the time of pricing, and no party could have foreseen the fundamentally different demand environment that materialised from FY15 onwards.

Auckland Airport has adopted a dynamic approach to capital planning and investment delivery over this pricing period. In the early years of PSE2, we deferred and repurposed investment to reflect new information that emerged as the Masterplan was finalised, including changes to the future location for domestic terminal capacity to reflect stakeholder consultation. Towards the end of PSE2, we materially accelerated capital investment to respond to rapid increases in demand and to commence delivery of the 30-year vision.

Rapid demand growth has also compounded the challenges associated with ageing assets at Auckland Airport. Based on the more moderate growth that was forecast at the time prices were set, a more staged approach to asset replacement was planned. However, pressure associated with passenger and aircraft demand over PSE2 has brought forward the need to replace or upgrade older assets over the past five years.

Overall, capital expenditure over PSE2 has been 80% higher than forecast at the time of pricing – an efficient and responsible approach to current demands and a clear step on the way to delivering our Airport of the Future.

Throughout, our focus has been responding to our customers' investment priorities. Ongoing consultation with our airline partners on the need for, design and delivery of investment has been a key feature of PSE2, and all major changes to capital expenditure plans have been discussed with airlines and with BARNZ. This constructive dialogue continued throughout FY17 as our focus has shifted to the next phase of airfield and terminal development planning, which in turn has underpinned the capital expenditure forecast for PSE3 and will form the base case for investment for the next ten years. As always, there will be changes to

that base case over time, but we remain committed to responsible, timely and efficient investment informed by robust engagement with our airline customers and a careful consideration of consumer expectations.

Our key PSE2 success stories are summarised in the box below. For FY17, we summarise capacity utilisation in Schedule 12 and period to date investment in Schedule 6.

Our PSE2 success stories – Appropriate incentives to invest

- Undertook an extensive Master planning process and established our 30-year vision to build the Airport of the Future – a world-class airport that delivers great outcomes for consumers, supports the success of airlines and aviation businesses, and boosts the Auckland and New Zealand economies.
- Altered our Masterplan in response to customer requests to orient future domestic development in a brownfields southern site, instead of the greenfields northern site.
- New Airport Development and Delivery team and programme management office established over FY13 to FY14 which has contributed to a new programme management approach to capital planning, established a new capital governance process, and been fundamental in driving the airport development plan.
- Substantially expanded our airfield infrastructure to better service international, domestic and regional aircraft, and to cater for the introduction of 12 new international airlines along with Jetstar's entry into the New Zealand regional market in December 2015. In total over 80,000 sqm of new airfield was developed.
- The remaining airfield was comprehensively maintained (including necessary reconfiguration and upgrades to provide additional flexibility and capacity) and a major taxiway and apron pavement-strengthening programme was undertaken to accommodate larger and heavier aircraft.
- Made significant investments in core technology infrastructure to unlock efficiencies through increased insight, information sharing, and collaborative process improvements.
- Provided a third baggage route to the baggage makeup hall and new baggage hall in order to meet passenger growth and to increase resilience.
- Extended the international baggage hall to provide two new Code F capable baggage reclaim belts and responded to government-mandated introduction of Hold Baggage Screening (HBS) for all baggage on domestic jet services in December 2016.
- Progressed the major upgrade of our international departure area, including opening the new security screening space and the first phase of the new stores for our two main duty free operators in late June 2017. When finished, our new international departure area will be more than twice the size of the previous space, and will include a reconfigured landside farewell portal, a new and expanded security screening and processing area, a new retail hub and a new passenger lounge. The construction of this significant infrastructure project was substantially progressed in PSE2, and is due to be completed around the end of the 2018 financial year.
- Invested responsibly to extend the life of the existing domestic terminal building and to maintain quality for domestic services, informed by the expected future use of the facility and the transition to a combined terminal over the medium term.
- Undertook and advanced the planning of a number of roading and transport upgrades on our network. We also developed new traffic management plans for use when the airport roading network is particularly busy, and continued to work closely with the New Zealand Transport Agency and Auckland Transport to advance roading and public transport solutions for South Auckland and the airport precinct.

1.4 Identifying and implementing innovations

The aviation sector has a culture of innovation, aimed at improving operational performance, reliability performance, passenger experience, efficiency of expenditure, efficiency of investment and the success of route development initiatives. It can also lead to reductions in operational risk that might not be obvious to the travelling public. As acknowledged by the

Commission, innovation is incentivised by the prospect of earning higher profits and a greater return. Auckland Airport is continuously focused on the introduction of new processes and technologies to improve departures, arrivals and border processing. Successful initiatives can increase the propensity to travel and increase the capacity of existing infrastructure, thus optimising capital expenditure on new infrastructure.

Innovation can lead to operational improvements or improve capacity utilisation of terminal and airfield facilities. Innovation can also increase reliability and performance.

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

Auckland Airport has a history of innovation, in both passenger experience and airfield operations processes. This was outlined in earlier disclosures and has continued in FY17. One of the key drivers of innovation is destination competition. To compete effectively with the likes of Sydney, Melbourne, Brisbane and Christchurch Airports, our airport processing, operations and product offer must be better than, or at least as good as, those provided by our competitor airports. This helps inform the terminal environment design, which ultimately supports passenger satisfaction.

Innovation can lead to the development and delivery of new, best in class, goods or services, and/or more efficient production techniques. However, innovation by its very nature involves risk. Our incentives to innovate should be assessed over time, given that innovations may not always result in a successful or wholly successful outcome.

Examples of some of our PSE2 success stories are summarised in the box below. For FY17, evidence of our innovations can be found in Schedules 11 (reliability and performance), 12 and 13 (capacity utilisation) and 15 (operational improvements).

Our PSE2 success stories - Identifying and implementing innovation

- Trialled and introduced three SMART aircraft approach paths in conjunction with Airways and BARNZ, with a further SMART approach trialled in FY16 – generating efficiencies for aircraft, contributing to international aviation carbon dioxide emission reductions and aligning with the Government's National Airspace and Air Navigation Plan.
- Significant investment in technology infrastructure to support and drive efficiencies, including a replacement Aeronautical Operating System, enabling more innovative and efficient use of resources and infrastructure. This included the replacement of the database that receives and exchanges all scheduling information, and a new Resource Management System (RMS) to allocate aircraft stands, baggage carousels and check-in counters. The new tool has far greater functionality, including the ability to make dynamic changes to resources in real time and includes a web-based day of operations dashboard – giving all stakeholders access to common data on expected passenger volumes and arrival and departure times, allowing for better resource planning and increased efficiency.

- Improved understanding of passenger flows and behaviours across the end-to-end passenger journey. Auckland Airport invested in a highly innovative Passenger Flow system using Wi-Fi and Bluetooth sensors strategically located around the terminal. This technology provides historical and real-time passenger processing times, which is also made available to our airport partners. The system allows for detailed analysis to understand where passengers experience the longest queue times, which drives individual agency and collective process improvements.
- Computer aided simulation technology (CAST) model developed for the international terminal to assist capacity planning and process improvements. CAST is a world leading simulation tool for modelling and evaluating airport systems and processes, and is used to aid efficient investment outcomes and to optimise operational outcomes.
- Introduced A-CDM – a collaborative decision making tool designed to optimise resources and infrastructure, and which involves the airport, airline operators, ground handlers and air traffic control working together to improve the efficiency, predictability and punctuality of airport operations. The success of the system has seen Auckland Airport invited to share lessons learnt in both Brussels and in Amsterdam.

1.5 Generating efficiencies and sharing the benefits

Efficiency is at the heart of Auckland Airport's strategy to be fast, efficient and effective. Auckland Airport has retained our strong focus on operational and capital efficiency throughout PSE2. Customers share in our efficiency gains in a number of ways, including through lower prices over time, higher quality of service, and improved choice and flexibility.

A key focus is to enhance our terminals and airfield to create better and faster passenger journeys, and to deliver more efficient airline operations.

For example, we have made a number of changes to the international check-in experience to improve efficiency, including the introduction of mobile check-in kiosks and streamlining traditional counters to provide more counters within the same terminal footprint. Processing efficiency in the domestic terminal has also improved over PSE2, including the consolidation of security screening into a single location – a larger area that has helped to streamline and speed up passenger processing, reduce duplication and increase efficient utilisation of resources for the airport and Aviation Security, and simplify way-finding for passengers.

A key element of Auckland Airport's operational philosophy is to maximise the utility of existing assets. This includes pursuing innovation and striving for best practice maintenance, management technology and operational efficiency, as discussed above.

We work hard to continuously maintain and improve the quality of our services while containing costs. As well as having a strong growth focus, Auckland Airport seeks to disconnect costs (including capital expenditure) from passenger volume growth wherever possible to help drive down unit cost and reduce pressure on prices over time. When we set prices in 2012, we passed forecast efficiencies back to consumers through prices – which were lower than they would have been if we had not forecast these efficiencies. Over PSE2, some of these forecast efficiencies have proved unrealistic in practice. Significant growth has created a drag on efficiency such that operating costs have fallen in real terms by 55c per passenger over the five-year period, less than the targeted efficiency. Nevertheless, Auckland Airport continues to benchmark well in worldwide comparisons of airport operating costs, particularly given Auckland Airport has a considerably higher share of more complex and expensive international operations than benchmark airports.

Auckland Airport's performance demonstrates that it seeks to create efficiency gains in a variety of ways. We remain committed to seeking out efficiencies year on year and sharing some efficiency gains with consumers over time, either through price or quality decisions. Within a pricing period we are able to share benefits by sharing costs across the aeronautical and non-aeronautical business and remaining responsive to consumer expectations, even if these were not factored into prices. This has been the case over PSE2.

Auckland Airport's performance over PSE2 demonstrates that we have well-established practices for exploring process efficiency options prior to capital expenditure. In the last two years of the pricing period, Auckland Airport established a recurring dedicated project team to focus on delivering airfield and terminal efficiencies for the summer peak – prioritising planning and operational improvements to cater for the seasonal aircraft and passenger peak within the existing terminal and airfield footprint.

As we discuss in the following section, we acknowledge that increasing asset utilisation can impact resilience, and affect our ability to absorb the impact of unforeseen disruptions. Over PSE2, the combination of demand growth, ageing assets and construction activities has put our facilities under pressure at times – particularly when unscheduled services arrive or unexpected incidents occur during peak travel periods. However, the combination of system investments, increased operational resource, and collaboration with our airport partners has helped us to navigate these challenges and strive to deliver positive results over PSE2. In particular, we have worked hard to continue providing our services as efficiently as possible while undertaking a major construction programme across core parts of the terminal and airfield. Auckland Airport also values sustainable operational, maintenance and construction practices. For example, a range of energy efficiency projects have been deployed over PSE2 to reduce energy consumption across the terminals and airport precinct, and waste minimisation activities have substantially increased the rate of landside and airside recycling.

Auckland Airport is conscious that our behaviour drives and facilitates efficiencies for our aviation partners. We believe that facilitating measures to reduce total costs of operation for airlines is a key way that we can share efficiency benefits with consumers. We have taken steps over PSE2 to assist the industry to improve its efficiency – both in the air and on the ground. For example, we have helped to improve the management of airspace around Auckland Airport through actively supporting the trial and implementation of SMART flight approaches during PSE2 – using satellite-based navigation and revised flight paths to enable aircraft to burn less fuel, emit less carbon dioxide, and fly more quietly. We spent considerable time and effort on leading public information programmes, among other activities.

Inside the international terminal, we have worked alongside our border agency partners to support and expand the SmartGate system for passenger processing on arrivals and departures, and PSE2 has seen a significant increase in the number of passengers who are eligible to use the technology along with increases in the processing speed and notional capacity of the SmartGate process through additional units and system upgrades – including the introduction of an integrated single-step process for departing passengers.

Finally, efficiencies can also be generated through Auckland Airport's route development activities and the role that we play within the tourism, trade and aviation system. Successful route development initiatives and investments deliver benefits for passengers through

increased destination choice and price competition. During a pricing period Auckland Airport carries the risk to the extent we invest more than was included in the pricing forecast for route development or if demand conditions are more adverse than forecast. We are rewarded if the introduction of new capacity stimulates demand and if market conditions are better than forecast. These risks and benefits are temporary during the current pricing period. A more permanent efficiency flows to consumers when prices are reset and the utilisation of existing assets is higher. This means that the cost of infrastructure can be spread over more passengers, leading to lower aeronautical charges than would otherwise be the case. In practice, the efficiency will vary depending on whether new demand occurs at peak or in the off-peak.

In some instances, we take a leadership role to facilitate broader opportunities in the tourism sector that can drive efficiencies and benefits for consumers, such as our involvement in the Tourism 2025, Ambition 2025 and development of the Four Seasons Five Seasons tourism cluster-marketing programme. In other instances we take a support role. For example supporting government departments with air services negotiations and identification of visa improvement opportunities. The willingness of Auckland Airport to absorb the cost of this, often unanticipated, investment can lead to more efficiencies for the network, which ultimately benefit consumers. This makes the network cost of Auckland more competitive, which can only be in the long-term interests of consumers.

Examples of some of our PSE2 success stories are summarised in the box below. Initiatives undertaken in FY17 that show how efficiencies are generated or benefits shared are set out in the following schedules:

- Schedule 6 provides evidence of how costs have been managed through the period versus forecast.
- Schedules 12 and 13 describe asset utilisation. Where this is increasing, the assets are becoming more productive over time and will in turn help limit prices. Where utilisation comes closer to capacity, this indicates the need to add new capacity.
- Schedules 11, 14, 15 describe the quality of service delivered to airlines in terms of reliability, passengers in terms of satisfaction levels and operational improvement processes. Discretionary initiatives through the period to maintain or improve quality service at Auckland Airport, or for the aviation sector, exemplify how efficiency gains can be shared with customers through the period.
- Schedule 16 describes demand growth during the period and routes that have been developed during the period.

Our PSE2 success stories - Generating efficiencies and sharing the benefits

- Progressive changes to the check-in system to support efficient outcomes. In the early part of PSE2, this included a transition to a fully independent counter allocation process run by Airport Coordination Limited ("ACL") to support all airlines and ground handlers. This included a move to billing based on actual usage and enabling airlines and ground handlers to drive efficiencies in their own operational processes. In response to requests from customers and to drive better utilisation of check-in space, we installed 45 mobile international self-service check in kiosks. Through a re-configuration of the check-in area, we were able to provide 13 more serviced counters in the same terminal footprint. The combination of these changes means that more passengers can be processed through the same terminal space – deferring expenditure that would otherwise have

been necessary to expand the check-in area, contributing to lower prices for consumers than would otherwise have been the case.

- Increased capacity of border processing by working with our airport partners to help facilitate the expansion and development of SmartGate infrastructure. At the end of PSE1, there were only two SmartGates, which could only be used by New Zealand and Australian passport holders over 18 years old. At the end of PSE2, there are 23 SmartGates in operation – 8 inbound and 15 outbound. These facilities can now be used on arrival and departure by New Zealand, Australian, Canadian, United States and United Kingdom passport holders over 12 years old. The border processing system was further improved in PSE2 through the introduction of SmartGate Plus gates – replacing the previous two-step (kiosk and gate) process for outbound passengers with an integrated single step process. This has reduced the transaction time for outbound passengers to 20 seconds (a reduction of 10 seconds per passenger), increasing the notional capacity of the facilities and creating a faster and better passenger experience.
- Continued to support New Zealand Customs-led project to target incremental improvements to the international departures process – with the three-way collaboration between Customs, the Civil Aviation Authority and Auckland Airport winning the Deloitte Fujitsu State Service Excellence in Achieving Collective Impact Award at the 2015 Public Sector Excellence Awards.
- Successfully managed the transition to an independent slot coordination management process in FY14, in line with international best practice. The slot coordinator, ACL, has world-class experience and uses systems that provide good intelligence, enabling the airport and stakeholders to operate more efficiently and providing for better utilisation of assets. In combination with the improvements we have made through the introduction of A-CDM technology (discussed elsewhere), this has contributed to more efficient use of the airfield, helping to reduce the total cost of operation for airlines at Auckland Airport.
- Exceeded our sustainability targets across a range of measures. In FY12, Auckland Airport targeted a reduction of 20% in energy consumption, water use and waste per passenger by 2020, and has exceeded these targets – energy use per passenger was 40% lower in FY17 than FY12, water use per passenger was 27% lower in FY17 than FY12, and waste per passenger was 47% lower per passenger in FY17 than FY12. As well as delivering positive environmental benefits, these savings are good for consumers – reducing the cost per passenger for energy, water and waste services and helping to reduce prices over time.
- Received a number of awards to recognise our focus on sustainability, including an Asia Pacific Environmental Leadership Award in 2013 for our approach to climate change, a Highly Commended award for Energy Management in the 2014 Sustainable 60 Awards, a Commended rating for sustainable operation of airport infrastructure from the Infrastructure Sustainability Council of Australia in 2015, and Highly Commended award in the EECA 2016 Energy Management Awards.

1.6 Meeting and exceeding customer quality expectations

Auckland Airport considers the quality of the service we provide to be critical to our performance as New Zealand's international gateway and largest domestic airport. If our service is below expectations, this negatively affects our business and has flow-on effects for all travel, trade and tourism businesses that rely on Auckland Airport. As discussed above, improving quality of service without increasing prices is a key way of sharing efficiency gains with customers.

Auckland Airport strives to provide our passengers with positive travel experiences, and to provide a quality service for our airline and cargo customers. Customer service, safety and security are core considerations for our business, and we are committed to understanding and delivering the level of service expected by our consumers.

Our Airport Service Quality survey results over PSE2 show that passengers have rated the quality of our international and domestic terminals as “very good” over this pricing period. Auckland Airport has also consistently ranked highly in the Skytrax World Airport Awards over

PSE2 – awards voted for by passengers in the largest annual global airport customer satisfaction survey.

The reliability of our services has continued to be very good across PSE2, with minimal interruptions to our runways, taxiways, stands, airbridges, baggage systems and ground power units. These material services continue to be available almost 100% of the time, and on time departure delays resulting primarily from causes within Auckland Airport's responsibility have typically been low.

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

- Qualitative and quantitative market research that assists in understanding consumer needs and preferences. These insights inform process development and terminal planning.
- Membership of the global ASQ service rating system.
- Placement in the World Skytrax World Airport Awards.
- Review of direct feedback on performance to identify where quality issues may be emerging.

We recognise that as our facility grows over time consumers will experience temporary disruption when our facilities undergo major construction. We seek to anticipate where the major points of stress might be in the system and to proactively mitigate impacts where possible. We also seek to invest in technology to provide real-time customer feedback so that customer issues, including during periods of construction, can be understood and resolved faster.

We have continued to explore ways to communicate with our passengers and to understand their needs over PSE2. This has included the introduction of digital touchscreens across our terminals to facilitate customer feedback, as well as introducing and progressively upgrading our Auckland Airport mobile app and website to provide better information and services to our passengers. We have also taken steps to increase the amount of information we provide in multiple languages in our terminals and through our online channels. A range of actions have been taken to improve our customer contact channels, including investment in a new Customer Relationship Management system to help provide better service to our passengers and quickly resolve issues that may arise.

Auckland Airport is conscious that the airport is a complex operation where service quality often relies on many organisations working together. Through engagement with businesses and agencies located at the airport, we hear what is important to our business customers and how facilities are performing against those priorities. The airport is a system in which one party's actions can affect others. Our philosophy is to foster a strong commitment to collaboration for all stakeholders at the airport and to work constructively together towards a common goal.

We develop our understanding of airlines' quality requirements through direct feedback via a range of forums at operational and management levels including:

- Collaborative Operating Groups ("**COG**") at a tactical, management and CEO level
- Consultation on terminal and airfield development and service priorities.

During PSE2, Auckland Airport has invested substantial time and resource into developing collaborative working relationships with its airport partners in order to optimise performance. At the heart of collaboration has been the development of the COG programme. COG was in its infancy at the beginning of PSE2. In 2013, airport stakeholders came together to set the vision, operational principles and performance reporting measures for the group – agreeing to work collaboratively to deliver a world leading customer experience while promoting growth for New Zealand, upholding safety and security and delivering efficient outcomes.

Over PSE2, the COG framework has evolved to support short, medium and longer term operational planning. There are three main COG forums:

- Daily COG – a daily cross-agency tactical forum supporting daily operational planning;
- Senior COG – a monthly cross-agency strategic forum providing direction on continuous improvement projects; and
- CEO COG – a quarterly cross-agency forum providing oversight and governance on initiatives.

All three forums provide an opportunity for the open sharing of information, including tracking and reporting key performance measures. The technology advances discussed above have been a crucial part of unlocking efficiency and quality gains through process improvement and increased insight, as well as allowing all COG partners to plan based on the same information – a single source of the truth. This information framework has supported continued improvements in FY17. For example, the accuracy of key reported times has increased (e.g. on-blocks and off-blocks times), the number of domestic and international aircraft adhering to targeted turnaround times has increased, and there has been a continued reduction in the time between the start-up time and the off-blocks time for aircraft over FY17.

Auckland Airport believes that the value of this collaborative community validates the investment made to support the COG framework in PSE2. The COG partners continue to work together on continuous improvement projects to drive incremental increases in service quality. Auckland Airport plans to use these forums to work with our airport partners to refine service level aspirations over PSE3.

In addition to our collaborative efforts and our investment in information systems and planning tools, Auckland Airport has also been proactive in increasing resource over PSE2 to assist with passenger flows and to provide a quality passenger experience. Since the 2016 financial year, Auckland Airport has a team of roving Customer Service Agents whose core role is to meet passengers' unexpressed needs. Auckland Airport has also developed its Passenger Assistance programme, made up of volunteers and students recruited at the summer peak to help with passenger flow through the terminals and often assisting other airport partners.

In addition, in PSE2 we continued to deliver on our wider commitments to environmental sustainability, health and safety, and being a good neighbour to those communities located adjacent to the airport.

Examples of our success stories for PSE2 are shown in the box below. In the remainder of this document we provide performance summaries and examples of initiatives undertaken in FY17, as follows:

- Schedule 11 describes the reliability of services delivered to airlines and passengers. We report against a range of metrics that describe on time performance and any interruptions to core services. We also augment this by analysis of the percentage of time the assets are available for use, which is a quality mark we use to measure ourselves.
- Schedules 12 and 13 describe capacity utilisation and performance, which is relevant to the quality of service provided to our customers.
- Schedule 14 – ASQ is a customer satisfaction analysis and benchmarking programme. In our comments on this schedule, we also describe the key service level changes within facilities that have been targeted at maintaining or improving passenger service levels.
- Schedule 15 summarises operational improvement initiatives undertaken during the year, some of which have the effect of improving service levels.

Our PSE2 success stories - Meeting and exceeding customer quality expectations

- Despite the rapid growth and material construction programme that is underway, Airport Service Quality scores show good to very good passenger satisfaction has been maintained overall in each of the last five years for both international and domestic terminals.
- A programme of investment and operational improvements across the airfield and both terminals (including departure lounges, airside circulation, security screening and baggage reclaim areas) over PSE2 to support service quality, reduce congestion and improve the consumer experience.
- Substantial investment in flight information display screens, which now also display information in nine languages – compared to two (English and Chinese) at the start of PSE2.
- System implemented to capture real time customer feedback across the terminals – enabling Auckland Airport to monitor service levels in a timely manner and to quickly respond to issues that may impact the customer journey.
- Evolved the COG framework to support short, medium and longer term operational planning, including through a clear vision, operational principles and performance reporting measures. This framework has been supported through investment in technology and planning tools – sharing information and enabling increased insight and process improvement.
- Introduced permanent roving customer service agents following a trial in the 2015 financial year. This initiative proved so successful that it was made permanent, and the customer service agents are now supplemented by additional Passenger Experience Assistants over the summer peak.
- Continued recognition in the Skytrax World Airport Awards.
- Materially improved the Airport Emergency Services capability, including an overhaul and modernisation of the marine response fleet and land response equipment. Our emergency services team provides world leading safety technology and ensures that Auckland Airport will continue to comply with international requirements as the number of aircraft and passengers increase.
- Launched Ara – our airport jobs and skills hub – in November 2015. Ara is a partnership with central and local government, employers working on the airport's development programme, training providers, industry training organisations and the South Auckland community. In the 12 months to 30 June 2017, Ara organised 1,342 training opportunities and placed 190 people into employment – 156 of them living in South Auckland and 74 of whom were previously receiving a central government benefit.

1.7 Earning a fair and reasonable return over time

When Auckland Airport set prices in 2012, our objective was to target a fair return following a comprehensive review of service priorities and the outlook for the pricing period. We considered Auckland Airport-specific data and then-current risk concerns when establishing the target return for aeronautical pricing, and were concerned to ensure that the resulting charges were reasonable by adopting a meaningful and transparent consultation process with our substantial customers. Through this process, there was also careful consideration of what the regulator considered to be a reasonable return, in the context of proposed investment over the period at Auckland Airport, and benchmark evidence on the competiveness and reasonableness of proposed charges.

Auckland Airport's prices for PSE2 were reviewed by the Commission in a comprehensive process over 2012-2013. At the end of that process, the Commission estimated that Auckland Airport had targeted a return of 8% for PSE2, which it found to be just within its "acceptable range". The Commission also considered that our demand forecasts for PSE2 were reasonable.

Once prices are set, Auckland Airport manages risk during the pricing period for the long-term benefit of consumers. Essentially, this involves:

- Investing in growth without compromising quality outcomes for consumers in the short or long-term. Achieving higher demand is a legitimate way to increase returns during a pricing period, with the benefits of that higher demand passed through to consumers when prices are reset (we are also exposed to the risk of lower demand resulting in lower returns though a pricing period);

- Managing costs of investing in core airport infrastructure and costs of airport operations. Efficiently and innovatively reducing costs is also a legitimate way to increase short-term returns, with the benefits again passed through to consumers when prices are reset.

We seek to use the resources we have available to meet changing consumer requirements through the operational or capital expenditure decisions we make. Auckland Airport balances the new needs that emerge over time from changing market conditions and operational, competitive, legislative and community requirements. Over PSE2, Auckland Airport has managed and borne the risk of actual outcomes differing to forecast, and has used a combination of operating solutions and capital solutions in different situations to respond to the circumstances we have faced over the pricing period.

One example of a change in market conditions over PSE2 has been the materialisation of rapid growth, leading to higher revenues than forecast. At the same time, we have faced unforeseen operating costs that have countered these higher revenues. Our airline customers have also benefitted from a materially increased investment programme compared with the price setting forecasts to keep pace with growth.

When evaluating returns, Auckland Airport recommends that interested parties consider the effective return trends over the long term rather than the return for a particular year. This is particularly important because airports deliver long-life infrastructure assets and have corresponding long-term investment horizons.

Further, the underlying context is important. Given that forecast prices were reasonable when they were set based on robust, unbiased forecasts, then variations in actual returns over a pricing period is not informative in itself. Rather, it is necessary to more closely examine the reasons for variances including, for example, that forecasts have inherent uncertainty and that we have incentives to outperform targets. Our disclosure provides sufficient information for interested parties about whether, on balance, Auckland Airport's conduct has been aligned with the long-term interests of consumers. For example, where actual conditions differ to those forecast at the time of pricing, our disclosure allows interested parties to assess whether we have been appropriately responsive through the operating and capital decisions made over the period to manage the level of service provided to customers.

Our overall internal rate of return for PSE2 is 8.5%.[1] This is close to the forecast target return set in 2012 and only a small forecast variance in light of the material changes between the underlying forecast and actual outcomes for a number of pricing elements. Although demand has been materially higher than forecast, this upside was balanced by materially higher-than-forecast operating and capital expenditure over the period to cater for that demand and to continue to provide quality services to our customers. In practice, our ability to trade across all pricing elements through the period has been a key facilitator of these outcomes.

Further, we note that Auckland Airport has a strategy of responsibly seeking to stimulate demand in air connectivity. We actively invest in marketing with the airlines to increase the probability of demand being sustainable in the long term and to reduce the prospect of airline exits. This strategy has long lead times and significant uncertainty. When this strategy is successful, consumers benefit from greater choice and/or price competition immediately and lower per unit prices at the next price reset. Auckland Airport carries the risk during the pricing period to the extent that we invest more than was included in the pricing forecast for route development. If successful, this stimulates additional revenue however the volume benefit lasts no longer than the current pricing period. We consider our returns over PSE2 to be a fair and reasonable reflection of our continuing efforts to grow New Zealand's travel, trade and tourism.

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

Our PSE2 success stories - Earning a fair and reasonable return over time

- Overall internal rate of return for PSE2 of 8.5%, close to the forecast target return set in 2012 assessed as within an acceptable range.
- Material changes between the underlying forecast and actual outcomes for a number of pricing elements have been balanced by Auckland Airport through PSE2, with unprecedented demand growth balanced by higher operating expenditure and accelerated capex in consultation with substantial customers (80% higher than forecast).

[1] This 8.5% IRR for PSE2 has been calculated using Auckland Airport's restated RAB, which excludes revaluations for airfield and terminal assets from the start of the ID regime and includes revaluations for aircraft and freight assets. Due to changes in the IMs in December 2016, we consider this is the best estimate of Auckland Airport's actual returns over PSE2. Further information can be found in the commentary to Schedule 1 of this disclosure.

Note Schedule 1: Return on investment

1.1 Commentary on Return on Investment

Schedule 1 reports on Auckland Airport's return on investment (ROI) on its regulated activities compared with the Commerce Commission's 50th percentile (mid-point) post-tax weighted average cost of capital ("**WACC**") estimates for the most recent three years ended 30 June – namely FY15-FY17.

Change in methodology

In past years, the IMs required Auckland Airport to index its RAB annually at CPI for ID purposes, and to disclose the resulting revaluations as part of its regulatory profit. This requirement created a mismatch between Auckland Airport's annual disclosures and its pricing approach, where a moratorium on asset revaluations was in place for airfield and terminal assets. Auckland Airport previously sought to explain this mismatch to interested parties by disclosing alternative ROI and IRR measures excluding revaluations each year.

In December 2016, the Commission amended the IMs to provide airports the ability to either index or not index the RAB for ID purposes, provided that airports adopted the approach that was most consistent with their pricing decisions. As a result, consistent with the pricing approach in place for PSE2, Auckland Airport's FY17 disclosure does not include any revaluations for airfield and terminal assets, and includes revaluations at CPI for aircraft and freight assets only. Auckland Airport has also restated its RAB to remove all previously disclosed revaluations for airfield and terminal assets from the start of the ID regime. The FY17 ROI is based on Auckland Airport's actual restated asset base.

This regulatory change improves the transparency of Auckland Airport's disclosed returns for FY17 onwards, and removes the previous mismatch between returns disclosed for ID purposes and Auckland Airport's "actual" returns. However, this change does makes it difficult to compare the return information disclosed for FY17 with that disclosed in the previous years of PSE2 – as the Schedule 1 information had been prepared on a different basis. Auckland Airport has not sought to restate past years' disclosures.[2] However, we provide our view of Auckland Airport's overall returns for PSE2 below according to the new IMs, and have explained the information that we have used to generate this estimate.

FY17 and PSE2 returns

Auckland Airport's post-tax ROI under the Commission's revised ID methodology for the year to 30 June 2017 is 10.8%. Over the five-year period of PSE2 from 1 July 2012 to 30 June 2017, Auckland Airport's internal rate of return (IRR) is 8.5%. The 8.5% IRR for PSE2 has been calculated using the restated RAB that excludes revaluations for airfield and terminal assets from the start of the ID regime and includes revaluations for aircraft and freight assets.

Auckland Airport targeted returns for PSE2 after extensive consultation with airlines and their representatives. In this regard, we note that:

(1) On 31 July 2013, the Commerce Commission completed its s56G review of the effectiveness of the information disclosure regulatory regime under Part 4 of the

[2] Auckland Airport was required to disclose a transitional schedule restating the RAB for FY13-16 in Schedule 24 to Auckland Airport's price setting disclosure, published on 3 August 2017.

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

(2) An analysis of actual FY13-FY17 financial results versus the FY13-FY17 forecasts in terms of aeronautical revenues, expenses and capital expenditure, but excluding revaluations (consistent with the revaluation moratorium for price setting), shows that net returns of 8.5% is slightly above the pricing forecast that was endorsed as acceptable by the Commission. Higher revenues for the period to date have largely been offset by higher costs.

(3) The primary driver of the increased return has been the rapid level of aeronautical demand growth in the second half of the pricing period. We note that when prices were set, they were based on organic growth forecasts, and major airlines considered those forecasts were a reasonable expectation of future demand. Only known route development volumes and costs were included in pricing, and Auckland Airport did not forecast the incremental volume or the associated route development cost where there was a high level of uncertainty. Auckland Airport has invested heavily in route development to support increased connectivity, investing $24.2m more than forecast in the period to date. FY17 has been another record year. Our route development efforts have been rewarded with the commencement of seven new international airlines in FY17. This success builds on that achieved over the previous four years of PSE2 to 30 June 2016.

(4) We have responded to the changing market conditions through a mixture of increased operational and capital solutions. When prices were set, the capital forecast was considered to be reasonable. Auckland Airport has consulted throughout the period with airlines on priorities as market conditions have changed. The changed demand conditions caused us to advance aeronautical capital expenditure. Schedule 6 shows that FY17 allocated aeronautical capital expenditure of $233.1m exceeded the PSE2 price setting disclosure forecast for FY17 of $48.1m by approximately $185m. Given this additional capital expenditure in FY17 and that also seen in FY15 and FY16, aeronautical capital expenditure has materially exceeded that forecast for the entire PSE2 by $232m, some 80%. We have also seen higher operating costs through the period as we have invested in solutions to respond to changing circumstances, with $60m higher opex over PSE2 than forecast.

(5) With these higher levels of capital expenditure and the relatively long lead times of some projects, Auckland Airport has also carried higher levels of works under construction than it has historically. As at 30 June 2017, allocated works under construction was $208m, materially above the forecast carrying value of just $16m.

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

We note that no cash return has been earned on land held for future use in PSE2 (with this land valued at approximately $300m at the end of PSE2).

Note Schedule 2: Regulatory Profit

2.1 Comment on Regulatory Profit

Auckland Airport notes that regulatory depreciation has fallen relative to previous years. This is due to the restatement of Auckland Airport's RAB, as required by the Commission's 2016 input methodologies amendments. For further information about the restated RAB, see Schedule 24 of Auckland Airport's price setting disclosure (Transitional Report on Regulatory Asset Base Value), published 3 August 2017.

2.2 Justification for Merger and Acquisition Expenses

There were no merger and acquisition expenses in the year ended 30 June 2017 for the regulated airport business.

Note Schedule 3: Regulatory Tax Allowance

3.1 Disclosure of Permanent Differences and Temporary Adjustments

Other permanent difference - not deductible:

This disclosure relates to non-deductible entertainment expenses allocated to regulatory income based on the company-wide cost allocation rule.

Other temporary adjustments - current period:

These disclosures relate to accruals and provisions provided at year-end that are not deductible for tax purposes including:

- employee related provisions of $5.8m for employee leave, ACC, FBT, and staff incentives
- other accruals and provisions of $5.7m including doubtful debts, unbilled consultancy and non-specific accruals

These are partially offset by fixed asset timing differences that are deductible for tax purposes, including:

- tax loss on disposal of fixed assets of $1.6m

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 of $9.5m and other accruals and provisions of $4.6m.

3.2 Regulatory tax asset value of additions

During the year, $95.7m of regulatory assets were added to the tax register. This is lower than the $135.2m of assets added to the RAB. The difference is predominantly due to $33m of assets in the redevelopment of the International Terminal being commissioned in the RAB at 30 June 2017 but added to the tax register at 1 July 2017.

3.3 Regulatory tax asset value of assets transferred from/(to) unregulated asset base

Other adjustments to the RAB tax value relate to lost and found assets and adjustments resulting from cost allocation as described in section 4.2 below.

These reductions in tax values exceed the reductions in RAB values due to the FY16 reallocation of $5m of Quad 5 assets being reallocated in the tax register in FY17.

Note Schedule 4: Regulatory Asset Base Roll Forward

4.1 RAB value—previous disclosure year

Following the amendments to the ID Determination and the IM Determination in December 2016, Auckland Airport undertook a bottom-up restatement process to generate restated regulatory asset values for all individual assets as at 30 June 2016. These restated asset values were used to complete the "previous disclosure year" information in Schedule 4, and this restated asset base has then been rolled forward to 30 June 2017 in accordance with the IMs.

This process has resulted in restated asset values that remove the impact of all revaluations for airfield and terminal assets from the start of information disclosure regulation, consistent with the approach that Auckland Airport has taken to these assets for pricing purposes (i.e. consistent with the moratorium on asset revaluations for aeronautical pricing). CPI revaluations have been retained for aircraft and freight assets, which is more consistent with Auckland Airport's market-based approach to determining the revenue associated with these assets – covered by leases negotiated with individual customers The land value in the restated asset base also reflects the High Court's ruling (incorporated into the IMs by the Commission) that the value of land in the initial RAB should be its market value alternative use ("**MVAU**") value as at 30 June 2010, rather than as at 30 June 2009 per the previous IMs.

The following table provides an overview of Auckland Airport's approach to asset values and revaluations in the RAB.

Segment	Land assets		Non-land assets	
	Base value	Revaluations included in RAB?	Base value	Revaluations included in RAB?
Airfield	2010 per hectare MVAU values	No	2009 disclosed value (or cost at commissioning)	No
Terminal	2010 per hectare MVAU values	No	2009 disclosed value (or cost at commissioning)	No
Aircraft and Freight	2010 per hectare MVAU values	Yes - 2011 MVAU revaluation and indexed at CPI since 2011	2009 disclosed value (or cost at commissioning)	Yes (CPI)
Land held for future use	2009 MVAU value	Yes – revaluation included to bring land value to 2010 per hectare MVAU values (consistent with RAB). No further revaluations included.	-	-

For further information about the restatement process, including a breakdown of the restated RAB for FY16, see Schedule 24 of Auckland Airport's price setting disclosure (Transitional Report on Regulatory Asset Base Value), published 3 August 2017.

4.2 Lost and found assets and adjustments resulting from cost allocation

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

This process sometimes results in aeronautical-dominated capital expenditure projects being later split into both aeronautical assets plus a small proportion of non-aeronautical assets. Equally, previously non-aeronautical-dominated projects can be split into non-aeronautical plus a small proportion of aeronautical assets. These splits can result in assets being transferred into or out of the Unallocated RAB as well as impacting the value of the Allocated RAB.

The logical place to record these movements in Schedule 4 is in row 28, entitled "Adjustment resulting from cost allocation". However, because row 28 does not contain an area to input movements in Unallocated RAB, we have shown the $3.1 million Unallocated RAB movement due to asset splits and transfers in row 18, under the "Lost and found assets adjustment".

On an Allocated RAB basis, the adjustment resulting from cost allocation has resulted in a decrease of $9.4 million.

4.3 Calculation of Revaluation Rate and Indexed Revaluation of Fixed Assets

Following amendments to the IM Determination in December 2016, Auckland Airport has the ability to index its regulatory assets at CPI, or to apply a non-indexed approach – provided that it applies the approach most consistent with the pricing decision currently in place.

Consistent with these amendments, and with Auckland Airport's pricing decision for PSE2, the only disclosed revaluations for FY17 are indexed revaluations for assets directly allocated

to Aircraft & Freight activities. There are no revaluations for airfield or terminal assets in FY17, consistent with Auckland Airport's decision to continue its moratorium on asset revaluations for pricing purposes over PSE2.

Schedule 4b(iv) of the ID Determination (Calculation of Revaluation Rate and Indexed Revaluation of Fixed Assets) currently reflects the previous IM requirement that all assets must be revalued using CPI-indexation. This schedule, as currently specified, does not allow Auckland Airport to disclose the value of revaluations of the RAB in a manner consistent with our approach when setting prices – i.e. it does not allow us to apply revaluations only to a part of the RAB (aircraft and freight assets).

Auckland Airport has been granted an exemption by the Commission from the requirement to use the calculation of indexed revaluation for the RAB and the unallocated RAB as currently specified in Schedule 4b(iv), provided that Auckland Airport disclose its indexed revaluations in a manner most consistent with the approach used to set prices.

Auckland Airport has done so by including an additional line in Schedule 4b(iv) for the FY17 disclosure. This additional line has been labelled "Assets not subject to revaluation". This adjustment allows Auckland Airport to net out the value of airfield and terminal assets not subject to revaluation from the total value of the RAB, leaving only aircraft and freight assets that then have CPI indexation applied. Auckland Airport has also removed the automatic formula from the "Asset disposals" line, so that this cell reflects only asset disposals from aircraft and freight assets – i.e. the remaining part of the RAB not subject to revaluation have been removed.

4.4 Assets held for Future Use

Restatement of assets held for future use – previous disclosure year

As discussed above, Auckland Airport has restated its airfield and terminal assets to exclude all revaluations after the establishment of the initial RAB value as at 30 June 2010.

To be as consistent as possible with the value of airfield land included in the RAB, Auckland Airport has restated the value of land included in assets held for future use as follows:

- The base value in the schedule remains the 30 June 2009 MVAU as required by the IMs;
- Auckland Airport has rolled this base value forward to align the value of assets held for future use with the 30 June 2010 MVAU proxy value used for airfield land in the RAB – effectively including a periodic land revaluation in 2010 for land held for future use. These revaluations are disclosed as "tracking revaluations" in accordance with the IM determination; and
- No further revaluations – CPI or periodic land revaluations – have been included for assets held for future use after 30 June 2010.

The "previous disclosure year" information in Schedule 4b(viii) reflects this restated value.[3]

[3] For further information about the restatement process, see Schedule 24 of Auckland Airport's price setting disclosure (Transitional Report on Regulatory Asset Base Value), published 3 August 2017.

Transfer of land from assets held for future use

In FY17, there was transfer of circa 16.5 hectares out of land held for future aeronautical use into a Park & Ride facility. The value of the respective land parcels, as well as the cumulative holding costs and tracking revaluations associated with the land parcels, have been taken out at its current disclosure carrying value ($1.355m) and have been subtracted via the Assets held for future use – disposals line.

Note Schedule 5: Related Party Transactions

5.1 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, except for:

- The provision of accounting and advisory services to Auckland International Airport Marae Ltd at no charge; and
- Transfers of land held for future use to a Park and Ride facility at the regulatory carrying value in accordance with the ID determination.

No guarantees have been given or received.

5.2 Auckland Council and its subsidiaries

Auckland Council's shareholding of Auckland International Airport exceeds 20 percent and, as such, accounting standard NZ IAS 24 requires transactions with Auckland Council and its subsidiaries to be treated as related party transactions.

Costs incurred with Auckland Council and its subsidiaries in relation to the Airport Business during the year ended 30 June 2017 were:

- Rates of $2.378m (2016: $2.386m[4])
- Compliance, consent costs and other local government regulatory obligations of $0.370m (2016: $0.229m)
- City Park Services - grounds maintenance costs of $1.551m (2016: $1.319m)
- Watercare - water, waste water and compliance services costs of $1.153m (2016: $1.089m)

5.3 Auckland International Airport Marae Ltd

Auckland International Airport Marae Ltd has two members of Auckland International Airport's senior management team on its board. During the year ended 30 June 2017, maintenance and occupancy costs of $0.072m (2016: $0.019m) were incurred in relation to the Marae by the Airport Business.

[4] Note – when completing the related party transactions schedule for FY16, rates were incorrectly disclosed as totalling $3.196m, as other cost items not paid to Auckland Council were inadvertently included.

5.4 Auckland Airport's non regulated business

As mentioned in section 4.4 above, Auckland Airport transferred circa 1.6 hectares of land held for future aeronautical use to a Park and Ride facility at a value of $1.355m during the year.

5.5 Associate entities

Auckland Airport's related parties include associate entities being North Queensland Airports, Tainui Auckland Airport Hotel Limited Partnerships and Queenstown Airport Corporation. There were no transactions between the associates and the Airport Business during the year.

Note Schedule 6: Actual to Forecast Expenditure

This note is in two parts. The first is a summary of operating expenditure and the second capital expenditure. Discussion includes FY17 and for the entire PSE2 period.

6.1 Operating Expenditure Overview

The table in Schedule 6a 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.

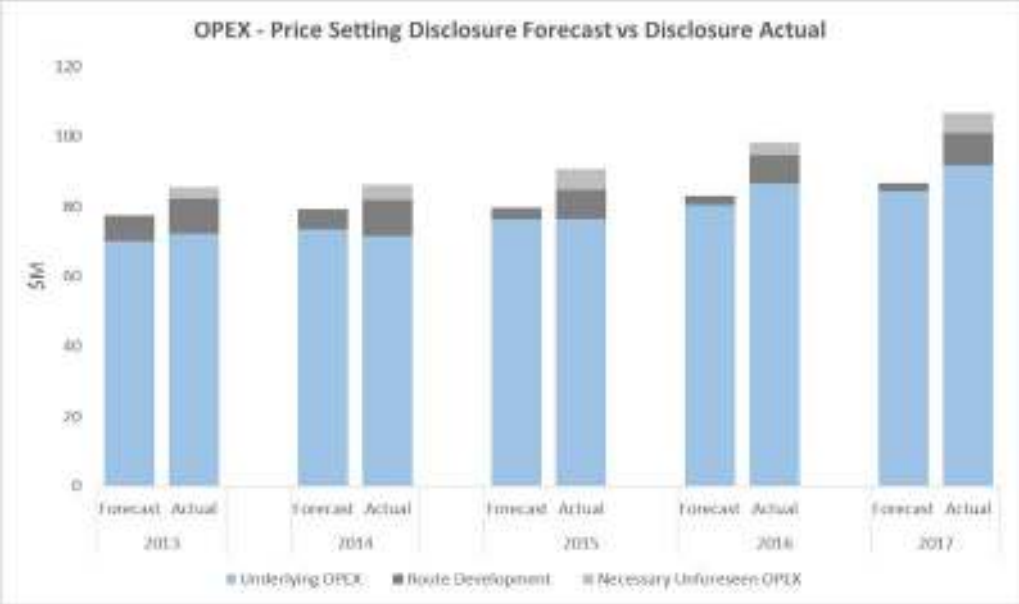
We note that the asset maintenance cost category variance shown therefore includes not only the 'pure' $2.0m Repairs and Maintenance variance explained in the next table, but also variances for other types of operating costs that were incurred in business units whose primary activities relate to repairs and maintenance, e.g. the Engineering Support Services business unit where the majority of engineering support staff costs reside.

Operational expenditure – variance analysis

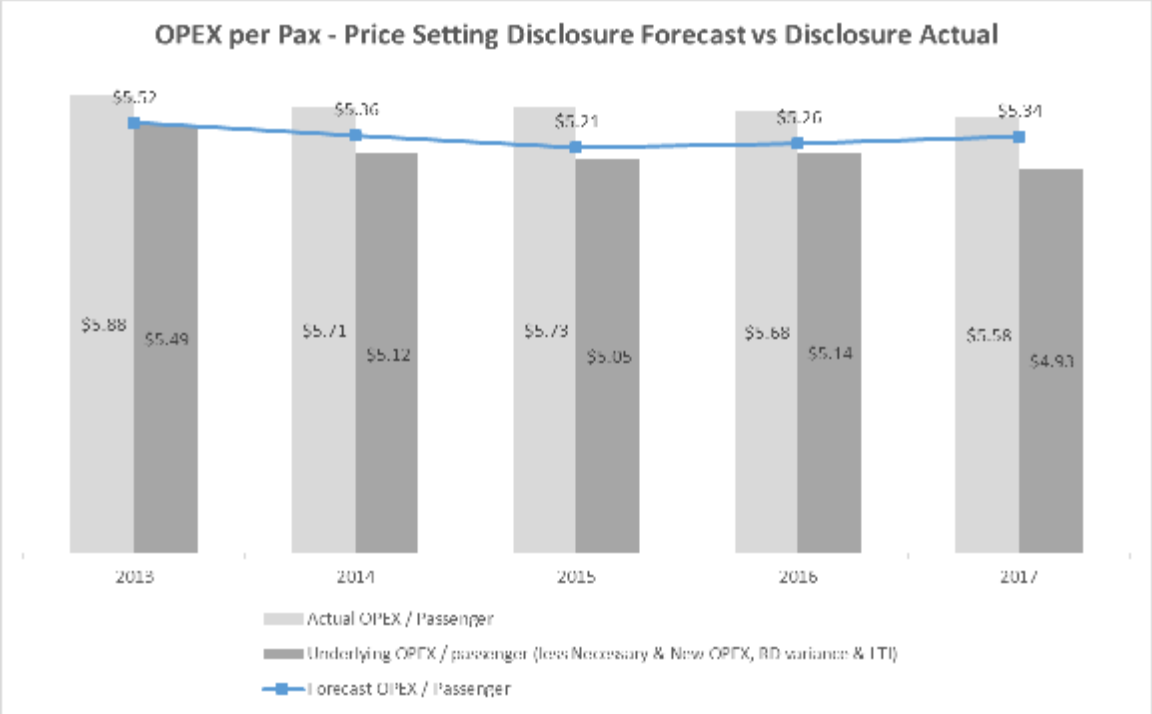
The time series comparison of actual to forecast expenditure is shown in the graph below for PSE2. It is important to note that, as agreed with the airlines and their representatives, where forecast route development and other operating expenditure growth was highly uncertain at the time of setting prices for PSE2, Auckland Airport did not include those costs or the associated incremental aeronautical volumes in the price setting forecasts.

In practice more aeronautical demand growth has materialised than forecast and this has materially affected operating costs. Higher passenger and aircraft movements than forecast have been associated with higher costs such as route development marketing, outsourced operations, bus operations, staffing and repairs and maintenance.

Period to date total regulated costs were $60.4m (+14.9%) more than pricing forecasts. The following chart summarises the differences between actual operating costs incurred and the operating cost forecasts that were developed assuming only "organic" aeronautical volume growth (i.e. excluding incremental future route development marketing activities).



An operating efficiency target of a 2.8% real reduction in operating costs per passenger was built into PSE2 prices. There have been mixed results in terms of our ability to deliver operating cost efficiencies. Overall, there has been a reduction in per passenger costs over the five-year period which was primarily driven by the material increase in passenger growth. If we compare underlying costs (which exclude route development and unforeseen necessary new costs), operating costs per passenger have been less than the pricing forecast. As illustrated in the following chart, underlying costs reduced over the PSE2 pricing period down to $4.93 per passenger. Whilst scale economies have been achieved in some areas, in others we have incurred unforecast operational expenditure to provide additional peak support, and experienced increased complexity and the need for temporary operational solutions to accommodate material brownfields construction programme in a live operational environment.



The primary causes of period to date increases in operational expenditure have been:

- Aeronautical marketing and promotions investment was, as intended, above pricing forecasts. Auckland Airport has invested $24.2m more through PSE2 in route development to stimulate growth. Compared to PSE2 forecasts, total passengers for the period has been 17.2% higher. This variance to pricing forecast was led by 17.7% higher domestic passenger movements and 16.8% higher international passenger movements.
- Personnel costs: new business structures to support personnel and safety, peak staffing, new requirements for fire rescue and crystallisation of incentives.
- Repairs and maintenance: ground maintenance, building, airbridge, plant and equipment and runway maintenance.
- Consultancy and legal: special projects not contemplated at time of pricing (e.g. SMART Trials, Project Capricorn) and costs associated with the development of the regulatory regime (s56G and merits appeal costs).

For FY17 total operating expenditure of $106.2m was $19.4m (22.4%) above the pricing forecast of $86.7m (2016: $15.1m, +18.2%). The variances are described below:

Area	FY17 Variance	PSE2 Variance	FY17 variance explanation
Marketing, Promotions & PR	$7.6m	$26.6 m	Marketing, Promotions and PR costs were $7.6m more than pricing forecast in FY17. As in prior years, this variance is within the Corporate Overheads cost category. The variance relates to aeronautical business development activities associated with attracting and supporting 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

			agreed capacity targets) and business-as-usual (BAU) marketing (including airline and non-airline marketing, general route and destination marketing, market research 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) new airlines and services to the Americas, increased frequencies and capacity to Singapore and marketing support for increased mainland China services. The full benefit of this business development marketing spend resulted in higher international growth than organic growth in current and future periods.
Personnel Costs	$4.1m	$19.1 m	Personnel costs were $4.1m more than the pricing forecast for FY17. Within the terminal team, we added passenger-facing resources with both year-round and summer peak Passenger Experience Assistants and an eight-month Customer Contact Centre trial. Increases were also driven by further investment in the teams that are responsible for supporting our Airport employees, in particular the people and capability team and the health and safety team. Since prices were set, there have been a number of changes to Auckland Airport's corporate structure. In response to changes in Health and Safety legislation and a growing need for a broadened HR function, a new General Manager position was created and the team built.[5] The Marketing and Airport Development and Delivery teams were also formed. In response to a material increases in the Long Term Incentive plan, due to share-market performance, these contracts were revised in FY16. Following this, costs reduced significantly relative to earlier years of this pricing period.
Repairs & Maintenance	$2.0m	$6.6 m	Repairs & Maintenance (R&M) costs were $2.0m more than pricing forecast in FY17. R&M costs fall mostly within the Asset Maintenance cost category and include contracted services. The major areas of works contributing to the variance include increased costs for grounds maintenance, aerobridge upgrading works, the pond sediment removal programme, higher costs for runway marking and rubber removal and increased corrective maintenance across the business namely in regard to lifts, generators and chillers.
Consultancy, Audit & Legal	$4.2m	$9.7 m	Consultancy, Audit & Legal costs were $4.2m higher than pricing forecast in FY17. Asset Management and Operations consultancy costs were $1.7m higher than pricing due in part to costs attributable to the ongoing SMART Approaches noise monitoring. In September 2015, together with Airways New Zealand and the Board of Airline Representatives New Zealand (BARNZ), we commenced the trial of a third SMART flight path to the airport from the north. SMART Approaches use satellite-based navigation to improve the management of airspace around Auckland Airport, and aim to reduce the impact of aviation on the environment and communities, while maintaining safety levels. This year Auckland Airport also commissioned reports on security operations and fire management at the airport to identify how we could further improve the management of these critical areas. Implementation of the report's recommendations has already commenced. Other areas of increased consultancy include additional planning for the FY17 peak period through

[5] Existing health and safety and procurement teams were centralised from Asset Management & Airport Operations to pan-airport Corporate Overhead functions.

			Operation Capricorn. Corporate Overheads consultancy was $2.4m above forecast, dominated by the PSE3 pricing consultation and the Commerce Commission IM review. Auckland Airport also invested in traffic management strategies to address growth in utilisation across the roading network.
Management Fees	$3.8m	$7.1 m	Management Fees were $3.8m higher than pricing forecast in FY17. These costs fall into the Asset Maintenance cost category and cover outsourced operations. The main drivers of this variance were the AVSEC charges for staffing Checkpoint Charlie which have been passed on to Auckland Airport since April 2014 and were not included in PSE2 pricing forecasts; increased baggage handling services costs as the contract moved to 24/7 cover; a material increase in both international and domestic bussing operations (ongoing since December 2015); and higher Emperor Lounge costs due to growth in airlines and lounge usage.
Utilities/Other	-$1.9m	-$5.0 m	Utilities costs were $1.9m lower than pricing forecast in FY17 including ongoing savings from Terminal lighting and cooling efficiency projects implemented during this pricing period.
Other expenses	-$0.5m	-3.7 m	Other costs (including Insurance, Travel & Training, Cleaning, Rates, Shareholder expenses, Telco & Computing and Other Expenses) delivered a combined total of $0.5m savings compared to pricing forecast in FY17.
Total Variance	**$19.4m**	**$60.4m**	

6.2 Capital expenditure overview

The base case forecast capital expenditure for PSE2 represented Auckland Airport's best view of the likely range of capital expenditure required over the forthcoming pricing period. The airlines generally agreed the level and timing of planned investment was efficient and the Commission concluded that ID appeared to have promoted an efficient investment plan for 2013 – 2017.

We noted that project priorities would be influenced (and potentially constrained) by the nature of demand growth and that capital expenditure decisions could not be considered in isolation from the actual demand environment in the period.

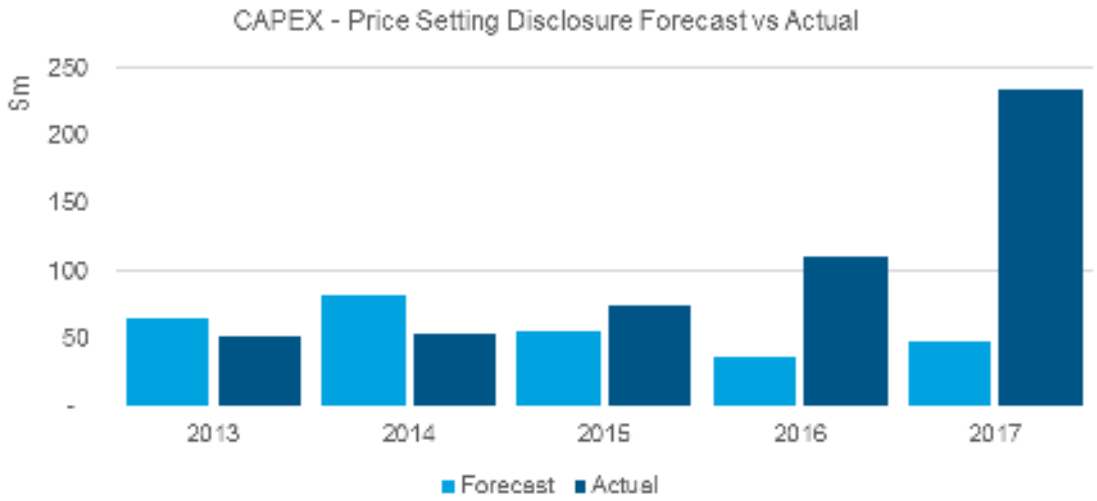
As described in earlier disclosures, there has been material repurposing of the Schedule 18 capital priorities. All major changes to capital expenditure plans have been discussed with the airlines and Board of Airline Representatives New Zealand (BARNZ). Auckland Airport has continued to involve airline expert groups on particular projects and to update broader stakeholders as part of regular engagement through Quarterly Engagement Updates. Further history on capital expenditure vs plan can be found in the disclosures for FY13- FY16.

As set out in Note 1, we have now entered a phase of higher than forecast capital expenditure in line with the changed demand environment since 2015.

Capital expenditure – variance analysis

The time series comparison of actual to forecast capital expenditure is shown in the graph below for PSE2. As a consequence of changing market conditions (e.g. new regional entrants) and exceptional growth, we have responded to new requirements (e.g. regional capacity) and brought forward projects (e.g. Pier B contact stands). For the year ended 30

June 2017 actual capital expenditure was $233m, materially above the $48m PSE2 pricing forecast. Consequently, total PSE2 capital expenditure of $522m exceeded the pricing forecast by 80%.



Key Capital Expenditure Projects Variance Analysis

The table below briefly describes line item variances of more than 10% period to date.

Key Capital Project	PSE2 Forecast	FY17 Variance	PSE2 Variance	Commentary
Short term capacity enhancements (DTB)	31,883	4,206	(2,161)	Variance less than 10%.
Baggage Reclaim Expansion (RECLAIM 1)	11,214	-	2,087	The aims and objectives of the Baggage Reclaim Expansion were to increase the baggage reclaim system's handling capacity, improve passenger circulation and eliminate bottlenecks in this area through investment in two Code F baggage belts. The first new Code F belt delivered in 2014 cost materially more than anticipated on account of the identification of multiple services in the area requiring diversions. Further, it became clear that the cost estimate in pricing for two Code F compliant belts was unrealistic. The cost of the second Code F belt is set out below in RECLAIM 2.
Baggage Handling System expansion (or BHS 2)	12,371	1,392	(9,888)	This objective of this project was to provide additional check-in baggage feed capacity from the vicinity of Counter 60 to the second hold baggage screening hall, providing a third baggage route to the baggage makeup hall and new baggage hall in order to meet passenger growth and to increase redundancy. The project was delayed because the delivery pathway was difficult. The constructability issues were overcome and the project objectives were met as part of

Key Capital Project	PSE2 Forecast	FY17 Variance	PSE2 Variance	Commentary
				the Level 1 project described below.
Check in project	7,151	7,407	845	Less than 10% variance. This programme targeted an increase in the efficiency and use of the existing space. The project aimed to meet passenger service expectations and increase the number of passengers that could be processed in the existing space, including through the introduction of new check-in technology. Among other things, this would help to defer the need for capital investment, which would otherwise have been required to expand the check-in hall. Specific FY17 initiatives were the delivery of white label common user self-service kiosks for international carriers expressing interest in the product and the reconfiguration of Check-in zones B-E to increase the number of check-in counters and improve the overall flow of passenger check-in. This initiative was a cost effective solution to meeting higher than expected demand.
ITB Forecourt Reconfiguration (or FC3)	14,414	(9,712)	(14,414)	This project was re-prioritised as part of the work Auckland Airport did in realigning the capital plan with BARNZ for a Southern Domestic solution.
Landside ground floor capacity enhancement	16,099	(13,674)	(16,099)	The project was re-prioritised as part of the work Auckland Airport did in realigning the capital plan with BARNZ for a Southern Domestic solution.
New Stand 1	10,119	1,427	(1,993)	The aims and objectives of the stand programme was to incrementally deliver contact and non-contact stands on a demand led basis. Two stands were included in the pricing forecast. The first stand priority confirmed following the review of demand and supply conditions post slot filing and hand back was two Code E non-serviced MARS stands constructed Epoxy Asphalt (Stands 80 & 81). The stands were delivered to meet demand for aircraft laying over for longer periods throughout the operational day.
New Stand Project 2 – Stand 74	11,750	29,235	20,818	The second stand priority was Stand 74 delivered in FY16. This project cost more than a standard stand, as it included a taxilane and because customers were clear that their preference was for fully serviced remote stands.
Taxilane 1	11,244	-	(11,244)	As noted above an additional taxilane was delivered together with Stand 74 instead of as a standalone investment.
Further Stands		10,789	10,789	Due to unprecedented and unexpected growth, the stand programme was extended to include Stand 75, which was delivered in

Key Capital Project	PSE2 Forecast	FY17 Variance	PSE2 Variance	Commentary
				August 2017. In FY17 works were undertaken to construct stand 19, a fully serviced Code F stand located to the west of Pier B due for commissioning in FY18. Overall, $52m was invested in stands over PSE2 versus a forecast of $33m for the five-year period.
Pier B ground boarding project (or PIERB 1)	15,275	60,457	55,318	In response to forecast increases in bussing over PSE2, additional contact stands were included in the original capital forecast for PSE2. However, in response to airline feedback from airlines the contact stands were removed from the baseline programme, with a focus retained on increased ground boarding over the period. At the time of the pricing decision bussing levels were very low but forecast to increase. On this basis, when prices were set this project therefore contemplated the expansion of Pier B by way of a bus lounge. The bus lounge was delivered as part of the solution for NW15 peak demand. This product was warmly received by the airlines as the proximity to aircraft has been improved, shortening distances for the specific bussing operation. When it became apparent mid-period that ground boarding in itself was not sufficient, we responded to requests from airlines to commence the design and build of additional contact stands. Feasibility options for the further extension of Pier B were consulted on in 2015 and a concept design agreed with the airlines for two new contact gates in 2016 and a further bus lounge extension. The revised Pier B project will provide at least the first stand before the summer peak and is forecast to be fully completed in FY18. Stands 17 & 18 were reconfigured as part of this project to provide improved capability as at August 2017.
Asphalt apron replacement	4,493	(256)	2,166	Variance driven by higher cost of Taxiway Kilo works behind contact stands 1, 3 and 5 caused by an increase in larger aircraft operating around Taxiway Kilo than in the past.
Concrete runway and apron replacement	28,850	1,137	(2,647)	Variance less than 10%.
ITB Airbridge refurbishment	5,239	442	1,766	Period to date investment is higher than forecast consistent with airline feedback to invest more in the airbridge refurbishment programme. The programme was extended following requests to improve the passenger experience when embarking and

Key Capital Project	PSE2 Forecast	FY17 Variance	PSE2 Variance	Commentary
				disembarking aircraft remotely. This resulted in the purchase of two Aviramps that operate like a remote airbridge. There was also an upgrade of GPU's and Duct Reelers. Capability to pull our grid electricity to replace APU's across all stands and enable cold start of 787-900 aircraft is also a part of this capital investment, delivering reduced operational spend for airlines.
Taxiway Lima	21,534	5	(6,991)	As previously disclosed, this project was delivered under budget.
Premium lounge	0	115	9,051	During FY15, a carrier approached the airport seeking a new premium lounge proposition. Through a collaborative process, a preferred site was established for the development of this lounge and commercial agreement reached for the shell and core facility to be provided by the airport and fitted out by the carrier. The project was completed in FY16.
ITB Level 1 – Phase 3	0	64,527	102,710	In 2014, Auckland Airport presented to airlines key findings of the Core Capacity Study that identified the key priority areas for repurposing of capital expenditure. This included the need to address the capacity in outbound emigration and security. It was also acknowledged that unless the airside dwell area was also increased, the bottleneck would just be moved in the system. Concept design then proceeded for the development of a departures project that provides a new international emigration facility, an enlarged truck dock and an airside dwell area (including retail) for international passengers. The design also enabled a pathway for additional check-in baggage feed capacity targeted in the period. As one of the biggest brownfields developments ever undertaken by Auckland Airport, the project is being delivered in multiple stages. The baggage handling system and the new emigration facility were delivered in 2017. The overall targeted completion of the project is in the first half of calendar 2018. The component of this project cost that was allocated to Retail is excluded.
ITB Baggage Phase 1.2	0	1,106	10,463	A second Code F belt was delivered in 2015.
Northern Runway Mode of Operation	0	1,107	5,782	This expenditure relates to protecting the ability to construct and operate a long haul capable northern runway under the Resource Management Act. This expenditure relates to design fees and associated professional fees as well as capitalised salaries of Auckland Airport staff dedicated to this process.
Operations centre relocation	0	(522)	7,276	This expenditure relates to the relocation of the international operations centre and the key operational utilities that were housed within it. These utility assets included the main

Key Capital Project	PSE2 Forecast	FY17 Variance	PSE2 Variance	Commentary
				incoming telephone exchange for the airport as well as key back-up generators for the terminal in the case of an electrical outage. All of these assets were fundamentally at the end of their useful life. Furthermore, investigation of the building revealed both asbestos as well as live underground services traversing the building. The location of the building also represented a key constraint to the development of the terminal for increased emigration capacity, increased airside facilities servicing and airside dwell.
Regional Capacity Enhancement	0	4	8,998	Apron, walkway and associated infrastructure works associated with airfield regional capacity enhancement
AES ARFF Vehicle Replacement	0	0	6,082	In PSE2 Auckland Airport replaced four existing fire appliances that were at the end of their operational lives with four Rosenbauer Panthers that are specifically designed as airfield firefighting vehicles. A further replacement of one existing appliance is planned for early PSE3.
AES Marine Craft Replacement	0	0	5,254	A review in 2012 identified that an upgrade of the existing marine fleet and infrastructure was required to remain compliant with ICAO marine rescue response regulations. This project involved the replacement of the rescue hovercraft and two rescue boats, and an upgrade of the boat shed and access ramp and was classified as other capex.
AOS Upgrade	0	0	5,207	In PSE2 Auckland Airport undertook a replacement project of its existing AOS that was 15 years old and at the end of its operational life. An AOS is the core system that manages the aeronautical operations including FIDS, allocation of gates and stands for aircraft and resource allocation systems (Check-in counters, Bus operations, labour resourcing). The investment in the AOS was done in consultation with relevant stakeholders including Joint Boarder Agencies, Ground Handlers and Airlines. The rationale for undertaking the project was to ensure and enhance the efficient operation of the Airport.
Other capital expenditure	88,114	25,803	51,950	Other capital expenditure is spread amongst numerous projects and programmes. FY17 expenditure was targeted at: • The continuation of the Terminal Development Plan and Airport Surface Access Network studies and roading initiatives including the Puhunui roundabout upgrade, Landing roundabout Rebuild, Bus lanes for GBMD (design), Terminal Exit Road, Terminal Contingency Bus Route. • The continuation of the closed circuit

Key Capital Project	PSE2 Forecast	FY17 Variance	PSE2 Variance	Commentary
				television camera replacement programme, enhancing the security capability across the terminal asset. • The management of aircraft noise mitigation with the general public as well as other key stakeholders, including the provision of key tools and support as well as the physical sound proofing of properties directly affected by the airport's noise profile. • The continuation of replacement and installation of new international baggage system diverters, ensuring the reliability and performance of the international outbound baggage system. • The creation of an expanded common use commercial passenger lounge which was delivered in September 2017 • The continuation of upgrade works on the aircraft refuelling network to ensure a complaint and certified fuel hydrant system is maintained. • Commenced and completed a project to expand the low risk passenger pathway through MPI ('the Green Lane" to improve arriving passenger processing times and experience. • The upgrade of public toilets in the ITB Arrivals Baggage Hall to meet increased passenger volumes. For earlier year variances please refer to previous disclosures.
Total capex variance		184,992	232,127	Auckland Airport has responded to the changing conditions experienced through PSE2 by re-purposing and where appropriate accelerating core airport infrastructure investment. Repurposing was required primarily in response to the changed assumption around the Masterplan location for the new domestic terminal. Acceleration of capital investment has been necessary due to the unprecedented aeronautical demand growth that has had system wide impacts. The key bottleneck areas Auckland Airport has been able to address in the period have been aircraft stands and outbound processing.

Note Schedule 7: Segmented Information

Schedule 7 provides a segmental breakdown of the regulatory profit and return on investment data for the regulated airport business contained in Schedules 1 and 2. The vanilla (pre-tax) return on investment can be estimated for each regulated segment for the year ended 30 June 2017 by dividing regulatory profit/loss by regulatory investment value. Post-tax return on

investment can be estimated by allocating the notional interest tax shield total from Schedule 1 across the segments, (based on relative regulatory investment value in each segment).

The estimated distribution of Auckland Airport's average annual post-tax FY17 ROI of 10.8% across the regulated segments is as follows: Passenger Terminal 14.4%, Airfield 8.4%, Aircraft, and Freight 11.1%.

While passenger charges are allocated entirely to the Specified Passenger Terminal segment in these disclosure statements, as described in detail in Auckland Airport's Price Setting Disclosure for FY13-FY17, a portion of those charges actually relates to costs that are shared by airfield activities. This, in effect, spreads actual ROI more evenly between the terminal and airfield segments than implied in the disclosure schedule.

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. The renegotiation of leases occurs regularly and on different cycles to the five yearly aeronautical price consultation process.

Note Schedule 8: Consolidation Statement

8.1 Depreciation

A part of the difference between regulatory and GAAP depreciation is due to a requirement under GAAP to depreciate assets from their commissioning date resulting in depreciation for part years of new assets. The IMs do not provide for new assets to be depreciated for aeronautical disclosure purposes in the year they are commissioned resulting in lower regulatory depreciation than GAAP depreciation for those assets.

Another major factor in the difference relates to different revaluation policies for GAAP and regulatory reporting. Assets have been revalued for financial reporting purposes, which has increased the value of non-land assets and in turn increased the depreciation expense on those assets for financial reporting (GAAP). For regulatory purposes, the Airport business does not revalue non-land assets in the same way, which leads to a difference in depreciation expenses for financial reporting and regulatory purposes. In the 2017 financial year, the difference between the depreciation expense for regulatory and financial reporting purposes is more pronounced than previous years due to the restatement of the RAB consistent with the IM determination and Auckland Airport's pricing approach for PSE2. This has reduced the value of Auckland Airport's RAB and therefore lowered the depreciation expenses for regulatory purposes.

8.2 Revaluations

The valuations for the Airport Company - GAAP include the revaluation movements on investment property ($91.9m increase). Land and infrastructure assets within the property, plant and equipment portfolio were not revalued at 30 June 2017.

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. 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 for aircraft and freight assets as at 30 June 2017 consistent with the Input Methodologies determination and Auckland Airport's pricing approach for PSE2. There are no revaluations for airfield and terminal assets.

8.3 Tax Expense

The tax expense for the Airport Company-GAAP is reduced by deferred tax changes in the underlying asset and liability values for financial reporting. The reduction from deferred tax movements results from the decrease in accounting carrying values relative to tax carrying values, which decreases the taxable temporary differences. This is different to the IM-compliant approach, which specifies a tax payable approach and does not recognise deferred tax movements.

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

8.4 Property, plant and equipment

As noted above, the GAAP values for property, plant and equipment are carried at fair value.

As noted above in 8.2, for regulatory purposes, only aircraft and freight assets are revalued using a CPI roll-forward approach. There are no revaluations for airfield and terminal assets.

A difference also arises in relation to Future Use assets which are excluded from "Airport Businesses" but included in "Airport Businesses - GAAP" column. The final differences relate to depreciation differences noted in 8.1 above.

Note Schedule 9: Asset Allocations

There has been no material change from prior year asset allocations, however increased explanation has been provided to explain the logic behind the asset allocators.

9.1 General Information on Asset Allocations

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

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

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

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

The Asset Allocators table in Schedule 9a of the Disclosure statements summarises the common assets that have been shared across two or more regulated activities, or across both regulated and non-regulated activities.

Note Schedule 10: Cost Allocation

There has been no material change from prior year cost allocations.

10.1 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 has 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;

(6) The report on cost allocations 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 key cost allocators follows:

    (a) The company-wide rule is used to apportion the shared costs of business unit activities that 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.

    (b) 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.

    (c) 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).

(d) 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.

(e) 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.

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

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

    (ii) The wastewater rule examines metered water usage between regulated and non-regulated activities.

    (iii) 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.

(g) 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. Operating costs associated with 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.

(h) Engineering and support services costs are allocated across regulated and non-regulated activities based on a two-step process:

    (i) First, the internal repairs and maintenance charges to business units are summed by internal business unit.

    (ii) 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).

10.2 Comparison of Outcome of Cost Allocations

Overall operating expenditure allocated to regulated categories was unchanged from FY16 (68%) and considerably lower than 75% in FY11. These changes are not due to the cost

allocation processes themselves that have been highly consistent across FY11 to FY17, but instead reflect faster growing costs in the unregulated (non-aeronautical) segments.

Note Schedule 11: Reliability Measures

11.1 Reliability

Trends in faults, interruptions and on-time performance are monitored regularly by Management. When an interruption causes an on time performance delay, an investigation is conducted and a root cause report prepared.

Actions are identified to prevent re-occurrence of the interruption and in order to continually improve the service provided to airlines and passengers.

The tables outlined in Schedule 11 report the number and duration of material service interruptions – discussed further in the following sections. To provide the most appropriate context for consumers, an alternative way to view this information is to consider the proportion of the time that the material service is available. For the disclosure year ended 2017, the percentage of time that Auckland Airport's material services were available was as follows:

Runway	100%
Taxiway	100%
Remote stands and means of embarkation/disembarkation	100%
Contact stands and air-bridges	99.9%
Baggage sortation system on departures	99.9%
Baggage reclaim belts	99.9%

11.2 Interruptions

Auckland Airport captures and records interruptions to its services through its fault management system. All system faults are reviewed on a monthly basis to ensure that interruptions that meet the conditions defined by the ID Determination are captured and meet the definitioned requirements of the interruptions as specified by the Commission.

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

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

The number of interruptions for each material service are discussed in the following sections. We note that the total number of interruptions has increased in absolute terms between FY16

and FY17. However, the ratio of the number of interruptions to aircraft movements is very low (0.05%), reinforcing the high percentage of time that Auckland Airport's facilities are available.

There were 80 total interruptions in the 2017 financial year, up from 51 in 2016. The number of interruption hours increased by 17.8 to 184.2 hours. Interruptions to contact stands and airbridges were the primary driver of the rise in both the number and duration of interruptions. The reasons for this are discussed further below.

11.3 Runway performance

In the 2017 financial year, there were three runway interruptions, totalling 50 minutes in length. One interruption was caused by a hare found on the runway. The runway was closed for 20 minutes while the debris was cleared, resulting in one on time departure (OTD) delay of 18 minutes. The second interruption was due to cracks found during a routine runway check. The runway was closed for 15 minutes for assessment and caused two OTD delays totalling 34 minutes. The third interruption of 15 minutes was for a scheduled pavement repair. No flights were delayed.

11.4 Taxiway performance

There was no interruption relating to taxiways in the 2017 financial year.

The up-gauging of aircraft on many routes to Code F and Code E is necessitating the progressive strengthening of much of the aerodrome apron and taxiway system.

Auckland Airport has continued to work on upgrading asphalt on taxiways and the apron to improve reliability. By conducting condition assessments of the asphalt through forensic analysis and assessing the uses of the area, Auckland Airport can ensure that asphalt chosen is fit for purpose. Using customised asphalt on areas servicing heavier aircraft optimises whole of life costs by increasing the life of the asphalt and reducing the need for repairs. This also improves the availability of the assets by reducing maintenance requirements.

11.5 Contact Stand and Air-bridge Performance

In the 2017 financial year interruptions to contact stands and air-bridges increased to 67, up by 26 on the year before. Of the 67 interruptions, 32 caused OTD delays, and 46 (70%) were caused by the airport (up 16 on last year). Airbridge interruptions totalled 167 hours, with the airport primarily responsible for interruptions totalling 151 of those hours. More than 60% of the total airbridge interruption hours was caused by seven interruptions that lasted longer than 8 hours each. The seven long interruption events were all random in nature with no normal predictability of failure. Three of the seven events were complicated by the need to source the specialist skills required to complete the repair safely. A new safety protocol discussed further below also contributed to the increased level of interruptions in FY17.

Some of the increase in airbridge interruptions can be attributed to the increase in movements at Auckland Airport in 2017. To investigate whether there were any other trends in the root causes of airbridge outages, Management conducted a review of airbridge performance for the year. The review found that a significant number of interruptions were a result of issues around the newly installed cab door safety interlock system.

Auckland Airport is committed to improving both the safety and performance of its airbridges. The interlock system was installed to eliminate fall from height by bridge users. Unfortunately,

there were some teething problems that persisted during the progressive installation of this system on 19 bridges during the 2017 financial year.

The problems included issues caused by bridge operators not following procedure and faults caused by the misalignment of the door lock mechanism. The safeguards of this new system meant that, if there was a problem, a technician was often required to rectify it. The vast majority of the issues we had been having have now been rectified and we have worked with operators to educate them on the correct operation of the system.

Auckland Airport has been working through an air-bridge refurbishment and replacement programme to improve airbridge reliability. This programme will ensure required levels of services are maintained and, in some cases, enhanced for those air-bridges that are nearing the end their economic and useful life.

Projects completed in the 2017 financial year included:

- Cab door safety interlocking system installed on 19 bridges
- Internal refurbishments of older bridges with LED lighting and new wallboards upgrades
- Aircraft nose in guidance (NIGs) on site condition assessment carried out and a plan developed for upgrading or replacement

Auckland Airport continues to increase the use of non-destructive methods of condition assessment in its airbridge maintenance programme. Root cause analysis of failures identified the need for more regular condition assessments to prevent air-bridge outages and to ensure that Auckland Airport continues to deliver high quality services to its customers.

11.6 Baggage Sortation

There were 10 interruptions to the baggage sortation system in the 2017 financial year, up by two on year before. The interruption hours to the baggage sortation system rose by seven hours, to 17 hours. Auckland Airport were responsible for eight interruptions, totalling 15 hours.

Two interruptions caused almost half of the total baggage sortation interruption hours (eight hours). These two interruptions also resulted in over six hours of combined OTD delays. One interruption was due to a major IT network outage that affected all airport systems including the baggage sortation system. Fall-back procedures were implemented to minimise the impact on flight departures. The second interruption was caused by a third party inappropriately accessing the area to complete construction works. New procedures were introduced to minimise the risk of this occurring in the future.

Auckland Airport acknowledges the need to improve the performance of the system and is committed to delivering ongoing continuous improvements. Initiatives that have been undertaken include:

- A specific baggage handling system project (known as “BHS 3000”), which has delivered significant enhancements through FY17 in conjunction with aligned capex projects. This included investment in a new core IT network to improve resilience of key operational systems, provision of additional system resilience, system tuning and optimisation,

improved check-in counter capacity, realignment of Transport Conveyor 1 and Transport Conveyor 4, and a maintenance replacement programme for power curves and ploughs.

- In addition to capital initiatives, Auckland Airport has worked with external baggage service providers to enhance system support, including increasing external support resource, enhancing software support as the automation of the system becomes more complex, and enhancing KPIs and monitoring systems.
- Improved processes and contractor management methodologies to reduce outages cause by the actions of third parties.
- Increased engagement with Aviation Security to manage baggage screening.
- Employment of a baggage handling systems specialise to provide further support for ongoing improvement initiatives.

Schedule 15 provides further details on baggage system enhancements that have been undertaken during 2017.

11.7 Baggage Reclaim

In the 2016 financial year, Auckland Airport completed a 2,500 square metre expansion of its international baggage hall, including the addition of two extra baggage belts. The increased baggage capacity has helped us ease the pressure of rapid passenger growth during the 2016/17 summer peak season. Pleasingly, there was no baggage reclaim related interruptions in 2017.

11.8 On-time departure delays

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

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

There were total 59 OTD delays in the 2017 financial year, up 17 on the previous year. As a proportion of the total number of movements, this represents 0.03%. Of these delays, 32 (54%) were due to contact stands and air-bridges outages and 24 (41%) were caused by outages to the baggage sortation system. The remaining three delays were caused by runway interruptions.

Total OTD delay hours increased by 14 hours, to 30 in the 2017 financial year. The increase was mainly due to three baggage sortation system outages, two of which were discussed earlier. The third was due to a software failure. Following this outage, procedures were

introduced to revert to manual input if a similar incident happened again. To reduce the chance of the failure reoccurring, system upgrades were completed. The three outages caused 20 flights to be delayed, totalling over 10 hours.

11.9 Fixed electrical ground power units

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

The percentage of time FEGP's were available in the 2017 financial year was 99.1%, a slight increase from 98.6% on last year.

In 2017, Auckland Airport continued with the scissor supports (crocodile arms) installation to assist the use of FEGPs for all aircraft. This initiative was implemented to improve the health and safety of ground handlers and to reduce the time taken to deploy FEGPs. A further two units were installed in the 2017, taking the total number of installed units to 12.

Auckland Airport also continued to work with the airlines to support the introduction of new wide body aircraft. Two new FEGP units capable of supporting wide body aircraft were installed in the year. The remaining units will be upgraded once the existing units fail. Further detail is available in schedule 15.

Note Schedule 12: Capacity utilisation indicators for aircraft and freight 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). There have been no changes in FY17. The declared runway capacity under visual meteorological conditions is set at 40 movements per hour. This reduces to 32 movements per hour in instrument meteorological conditions, when a greater allowance is required for missed approaches, and 20 movements per hour in fog.

The runway mode of operation depends on the wind direction. In most instances, aircraft land and take off into the wind. Auckland Airport's prevailing wind direction is westerly. Under westerly wind conditions, aircraft land and take off using RWY 23L. RWY 23L is therefore used more than the easterly facing RWY05R.

RWY23L is equipped with a Category III B instrument landing system. The system was the first of its kind installed in New Zealand. Equipped with Category III B, 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. The system allows pilots to land with a cloud base of 215 feet and at least 800 metres of visibility. During low visibility operations, pilots are still able to land using RWY 23L, whereas they may not be able to land using RWY 05R.

There are periods of the day where Airways and Auckland Airport are able to achieve greater movements per hour than what is reported in this schedule. Airways conducted a capacity

study with Auckland Airport. The data is currently under review with the findings expected to be released in early December 2017. In the interim, Auckland Airport has decided to retain the number of movements reported.

In FY17, Auckland Airport's international aircraft movements increased 10.1% and domestic movements increased by 5.9%. Initiatives put in place to manage the additional growth included:

- increasing the bus operations fleet to 10 units which enabled increased use of unbridged international stands;
- the construction of taxilane Echo;
- additional ground service equipment storage area; and
- a new Code F (or two Code C) aircraft stand. An additional Code F designed stand was commenced in FY17 with completion expected in early FY18.

In addition, a heliport opened to the north of the international terminal, allowing helicopters to land at Auckland Airport without affecting runway capacity.

The Airfield Capacity Enhancement Steering Group (ACE) continued to meet quarterly. The group is currently investigating the following initiatives to increase runway capacity:

- New separation initiatives around track divergence were put in place at both Wellington and Auckland Airports which should offer the airport extra capacity in all weather conditions
- Standardised taxi routes
- Review benefits for Alpha and Bravo exit alignments improving ease of navigation from the runway.
- Backtrack option for 05 removed to create more standardised processes, maximising slot capacity
- Use of ACDM to cluster aircraft types to optimise separation distances
- Additional hold bars for low visibility operations

In FY17, Auckland Airport progressed the flexible contingency runway project to the feasibility stage. The feasibility study was completed in two stages. The first stage focused on the non-compliant strip width at the Western end of the contingent runway and the second stage focused on the constructability of all other infrastructure requirements (including but not limited to navigation, lighting and signage) ensuring that all the mitigations identified in the safety case are implemented. This project is expected to move into the concept design stage in FY18.

Airways New Zealand, Auckland Airport and the Board of Airline representatives New Zealand (BARNZ) continue to introduce of new satellite-based navigation SMART Approaches, into Auckland Airport. A further SMART approach from the north was trialled from 1 September 2015 to 31 August 2016. This flight path was known as Yellow U23. A

draft report on the trial was published for consultation in October 2017 and a decision on whether to permanently operate the Yellow U23 will be made following the consultation process.

Note Schedule 13: Capacity utilisation indicators for specified passenger terminal facilities

13.1 General comments on terminal capacity utilisation

Auckland Airport's preference is to maximise the utility of existing assets wherever possible ahead of prudent increases in capacity. 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.

We note that the floor areas included in the FY17 schedules are based on the available floor and facilities as at 30 June 2017.

13.2 Key insights for FY17

In the international terminal, the capacity utilisation indicators suggest that the outbound security screening area was operating beyond its peak capacity at times in FY17. This reflects that expansion of these facilities was required, and a significantly larger space for outbound security screening was commissioned in June 2017. Expansion to the passport control area will be delivered in FY18 as part of our major upgrade of the international departure area. This expansion will deliver a significant capacity increase for the emigration process including significantly larger spaces for both passport control and security screening, as well as providing a flexible footprint to manage future changes in security and technology. During this construction period the terminal areas available to passengers will fluctuate as new areas come on line and other areas are closed for construction.

Inbound bio-security screening is at capacity during peak hours and can also be significantly impacted by off schedule arrivals. The pinch point for processing is at the bio-security risk assessment stage. Auckland Airport and MPI installed an expanded green lane facility for the 2016/17 summer peak to enable the more efficient processing of low risk Australian and New Zealand arrivals and to reduce the congestion in this area. We have also continued to work collaboratively through our COG framework to explore initiatives to improve processing times and reduce congestion through this space. Arrivals expansion is planned for PSE3.

The domestic terminal is nearing the end of its life span as a sole terminal serving all domestic traffic. A DTB Capacity Enhancement project was completed during FY14. To accommodate growth in the near term, Auckland Airport prioritised investment to alleviate some of the main congestion points. The departure lounges, airside circulation, security screening and baggage reclaim areas were all expanded to reduce congestion and improve the customer experience. Further investment was made in FY16 to accommodate the arrival of Jetstar's regional services with a regional bus lounge and swing lounge facilities added.

The expansion of the domestic terminal is expected to extend the life of the facility over the short to medium term. However, early in the next decade a new integrated facility will be required. A feasibility study was completed in FY17 to outline the high-level requirements for a future integrated terminal at Auckland. The in-depth concept design phase of this projected commenced in the first half of FY18.

13.3 Floor space

In 2010, international aviation consultant Airbiz was engaged to compile estimates of capacity and utilisation measures as required by the new information disclosure regime. As part of this work, Airbiz completed estimates of the floor spaces. The reported floor spaces in Airbiz' work formed the base floor areas and have subsequently been reviewed and adjusted on an annual basis for any changes.

Significant changes to floor spaces from the previous disclosure year are described below.

International Terminal Outbound

- Airside Circulation (Outbound) - decrease of 613 sqm on levels 1 and 2 due to areas hoarded off for construction.
- Security Screening (Transit & Transfer) – 119 sqm increase of international to international transit screening area to maximise length and throughput of the two security screening machines.

International Terminal Inbound

- Baggage Reclaim – 90 sqm increase following the return to operation of baggage belt 5, however this was offset by baggage belt 6 being hoarded off for construction works.
- Bio Security – 218 sqm increase for new green lane product for low bio-risk New Zealand and Australia passport holders.

There were no significant changes to the floor space in the domestic terminal.

13.4 Notional capacity of baggage units and busy hour throughput

In 2010, Airbiz was also engaged to estimate the notional capacity of the outbound baggage facilities and the inbound baggage reclaim units for both the international and domestic terminals. Airbiz defined the notional capacity to be the sustainable practical capacity of the baggage system.

The notional capacity of the international outbound baggage facilities has been assessed by using a practical capacity of 17 bags per minute through each x-ray unit.

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

Auckland Airport has seven international baggage reclaim belts, made up of five belts capable of handling up to Code F aircraft and two belts capable of handling up to Code E aircraft. The number of baggage belts operational at 30 June 2017 was reduced to six due to the closure

of baggage belt 6 to complete the level 1 capital works. All seven belts are expected to be returned to service in FY18.

The notional capacity of the international baggage reclaim facilities as at 30 June 2017 is calculated in "bags per hour". This calculation is based on one reclaim unit being occupied by code E aircraft (or smaller) aircraft and five reclaim units being occupied by a code F aircraft, with assumptions made about the number of passengers processed per hour, and the number of bags per passenger.[6] Note that at any single point in time the reclaim capacity can be higher if larger planes than assumed arrive during the hour.

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

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

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

13.5 Passport control

Customs New Zealand operates a mix of electronic SmartGates and traditional manned desks for both the emigration and immigration passport control processes at Auckland Airport. The notional capacity during the passenger busy hour for outbound and inbound passport

[6] 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 an utilisation factor of 75% to account for the fact that not every aircraft arrives on schedule. After the utilisation factor is applied, the notional capacity measured in passengers per hour is 2,159. 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.

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.

In FY17, the SmartGate Plus product (a combined kiosk and gate) was installed for inbound passengers, following the successful install in the outbound process in FY16. The average transaction time for the SmartGate Plus machines is estimated at 20 seconds, 10 seconds faster than the SmartGate product. 15 SmartGate Plus machines were installed to replace the eight SmartGates, resulting in increased notional capacity and improved facilities for passengers. The SmartGate facilities can presently only be used by New Zealand, Australian, United States, United Kingdom and Canadian passport holders who are over 12 years of age, however the number of nationalities eligible to use the facility may be increased by Customs New Zealand in the first half of FY18.

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. It should be noted that the notional capacity will not be achievable in all circumstances. If an aircraft has relatively fewer passengers able to use the SmartGates, the practical capacity will be lower.

13.6 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.

An additional security screening machine was installed in the international terminal for the 2016/17 summer peak, taking the number of security screening machines to seven.

The identified "busy hour" for inbound security screening is not necessarily the same busy hour for transit and transfer passengers. For example, during the identified busy hour for security screening, only 11 passengers were estimated to have been processed through international transit and transfer screening. To provide more meaningful information, we have estimated the busy hour for transit passengers only – which shows 350 passenger processed during that hour, representing 65% of the notional capacity of the facility.

13.7 Departure lounges

The number of reported seats in both the international and domestic terminals was based on a physical count in July 2017.

13.8 Biosecurity screening and customs secondary inspection

The notional capacity of bio-security screening capacity during the passenger busy hour was estimated with reference to an international capacity review completed by Airbiz in 2016. This work was undertaken when reviewing the international slot parameters for the Northern Winter 2016 season. This work identified that, consistent with previous capacity studies, that

the key pinch point for processing is at the bio-security risk assessment stage. The per hour capacity identified for risk assessment screening was identified as 2,145 passengers per hour. This capacity assessment took into account the modifications to the bio-security areas that were completed for the 2016/17 summer peak including the expansion of the green lane for low risk New Zealand and Australian passport holders. Please note that this throughput capacity is based on current bio-security risks, if the bio-security risk was raised due to a bio-security event (e.g. fruit fly infestation) this throughput could be significantly reduced.

13.9 Total functional space

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

The number of working trolleys represents the number of trolleys that Auckland Airport's trolley provider, Smartecarte, had in use as at 30 June 2017.

Note Schedule 14: Passenger satisfaction indicators

14.1 General comments

During the 2017 financial year, Auckland Airport remained committed to continually making improvements to ensure our passengers have safe and enjoyable journeys when traveling through the airport. One of the tools we use to measure our efforts and performance on facilitating and improving passengers' journey is the Airport Service Quality (ASQ) survey.

Auckland Airport has been part of the Airport Service Quality (ASQ) benchmarking programme for a number of years. Developed and implemented by Airports Council International (ACI), ASQ is a survey programme that provides key passenger research and insight, as well as essential management information.

The ASQ Survey is the airport industry's standard for measuring passenger satisfaction. Passengers' satisfaction levels are measured while they are at the airport. ASQ surveys are currently conducted at around 260 airports in 41 languages in 84 countries. Over 75% of the world's top 100 airports are currently part of the ASQ benchmarking programme. Each year, some 600,000 passengers worldwide are interviewed for the ASQ Survey.

The ASQ Survey measures 34 key service areas and includes eight major categories, such as access, check-in, security, airport facilities, food and beverage providers and more. All participating airports use the same survey questions. This creates an industry standard set of responses that allows Auckland Airport to track and analyse its performance, and compare its performance against peers.

Through the use of ASQ benchmarking, Auckland Airport is able to:

- get an independent perspective on performance;

- identify areas of opportunity;
- understand passengers' needs, priorities and expectations;
- prioritise improvement opportunities;
- set and monitor performance expectations; and
- manage change effectively.

The survey is conducted quarterly with a minimum sample size of 500 passengers per quarter. The ASQ sample plan has quotas by airline and 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 competed 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 – https://corporate.aucklandairport.co.nz/news/publications/regulatory-disclosures

Passenger responses to each question are gathered according to a 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 in Schedule 14 state the scores for each quarter, Auckland Airport monitors responses using a four quarter rolling average, as the annual sample size gives 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.

Auckland Airport has also chosen 28 airports with comparable features from the ASQ survey programme as a panel and uses the average score of this panel to benchmark our performance. Most of these 28 peer airports are key destinations from Auckland and are subject to capital disciplines and of a similar size of 10-25 million passengers.

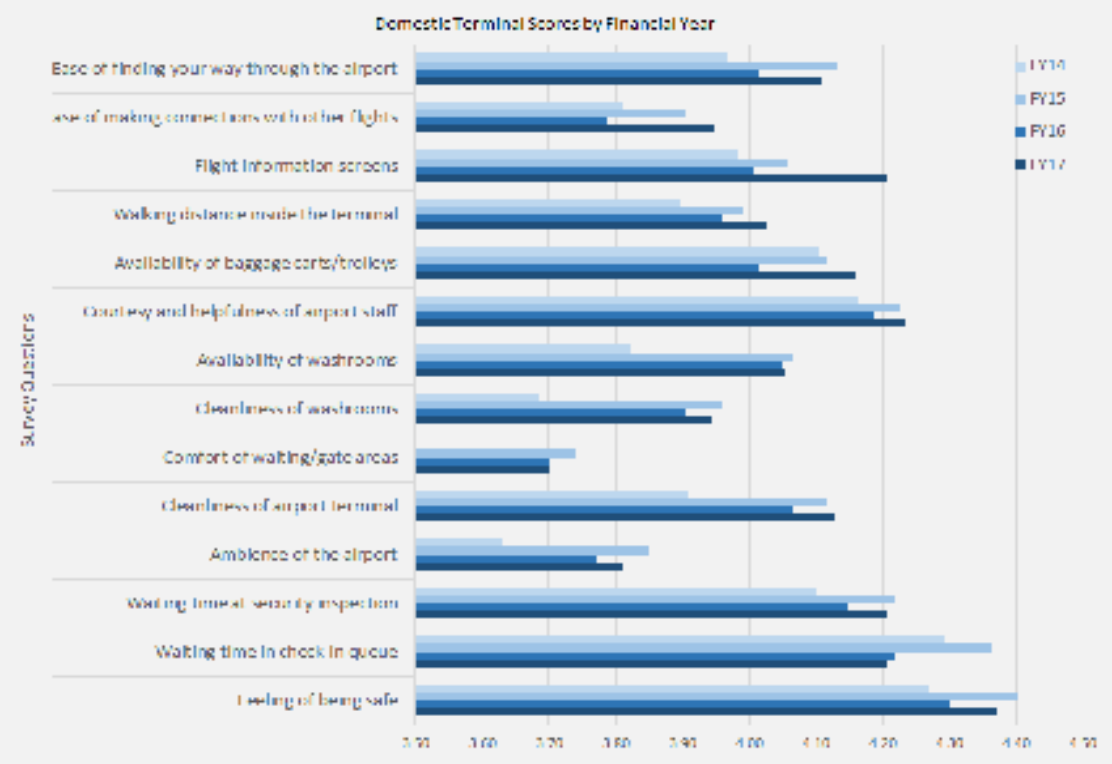
Each quarter Auckland Airport undertakes a detailed review of the survey scores. The results are fed into business activities and process improvement initiatives.

We acknowledge that our facilities have come under pressure more recently, and there have been some challenges at times in providing the level of passenger experience that we strive to deliver. However, these ASQ surveys provide insights on the areas that Auckland Airport can control and the experiences of a statistically significant sample of customers.

14.2 Domestic terminal

In the year ended June 2017, our domestic passenger volumes rose by 9% from the previous year, to 8.6 million. Despite the sizeable passenger growth, the average score of all regulated factors of 4.1 was the highest score achieved in the last four years.

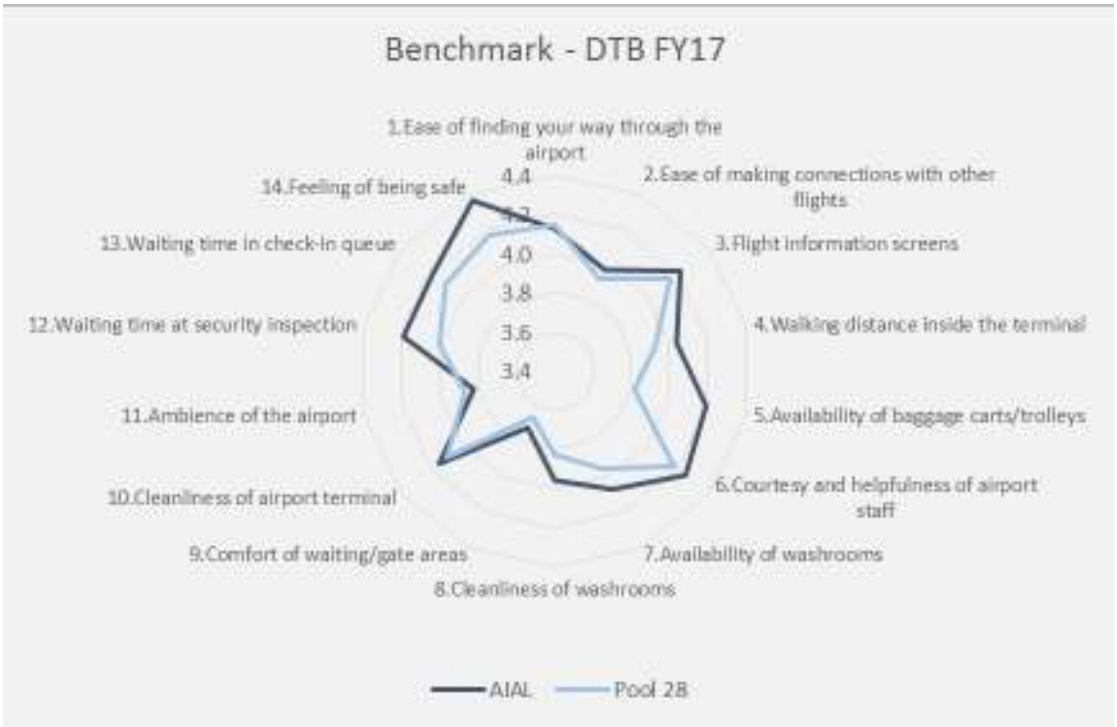
As shown in the chart below, in the 2017 financial year, the score on almost all regulated factors improved and outperformed the previous 3-year average. The only exception was ”Waiting time in check in queue”, which fell slightly by 0.01 point on last year and 0.09 on previous 3-year average. This factor was likely impacted by the rapid growth of passenger volume.



In addition to the overall improvement on the previous year, the scores of six regulated factors (ease of flight connections, flight information screens, walking distance in the terminal, baggage trolleys availability, staff services and terminal cleanliness) reached a four-year high. The strength of these scores demonstrates Auckland Airport’s commitment to improving the customer experience, whilst at the same time managing an intensive period of construction to cater for future growth.

In addition to the ASQ surveys, Auckland Airport also monitors customer experience using customer feedback kiosks. Four kiosks were installed across the domestic terminal in the 2017 financial year. Passengers are now able to use the devices to rate their experience in real time and select the reasons for dissatisfaction if they rate a service poorly. The results are fed back in a timely manner, allowing any issues to be remedied as quickly as possible. Across the international and domestic terminals, the customer feedback kiosks are collecting over 150,000 individual responses per quarter.

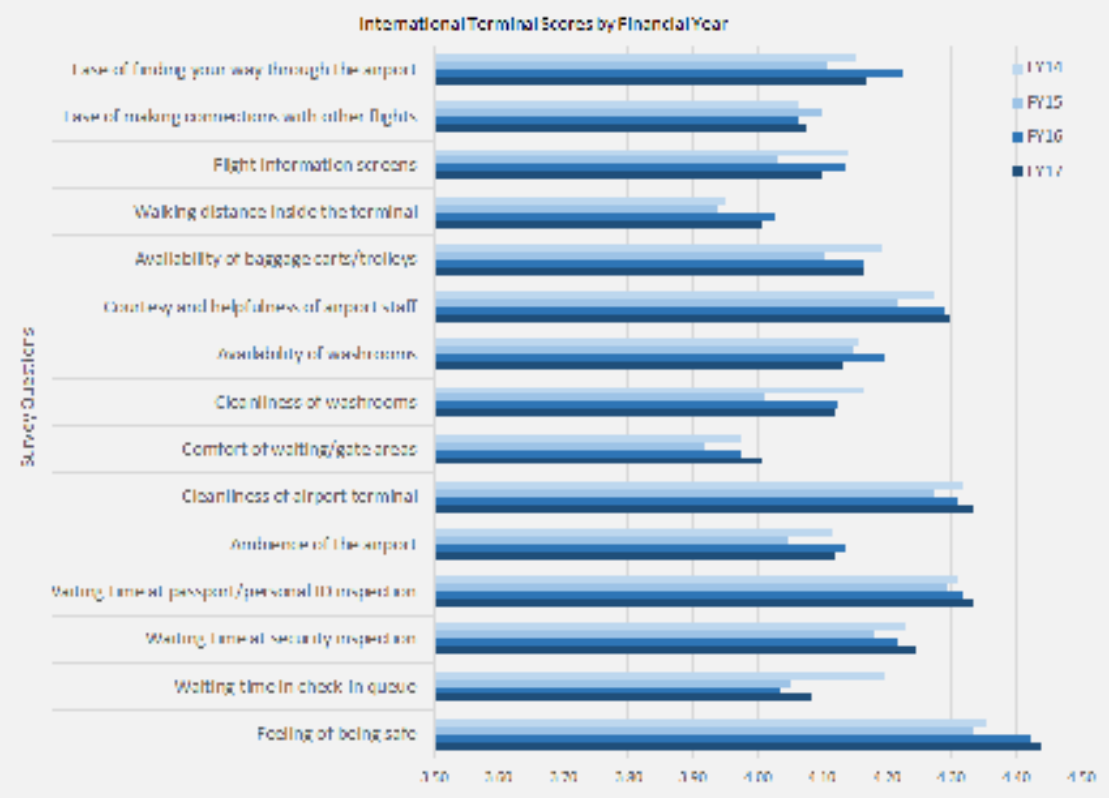
The graph below compares Auckland Airport's performance in the domestic terminal to that of our 28-airport panel peer group. The graph shows that Auckland Airport matched or outperformed the panel on almost all factors.



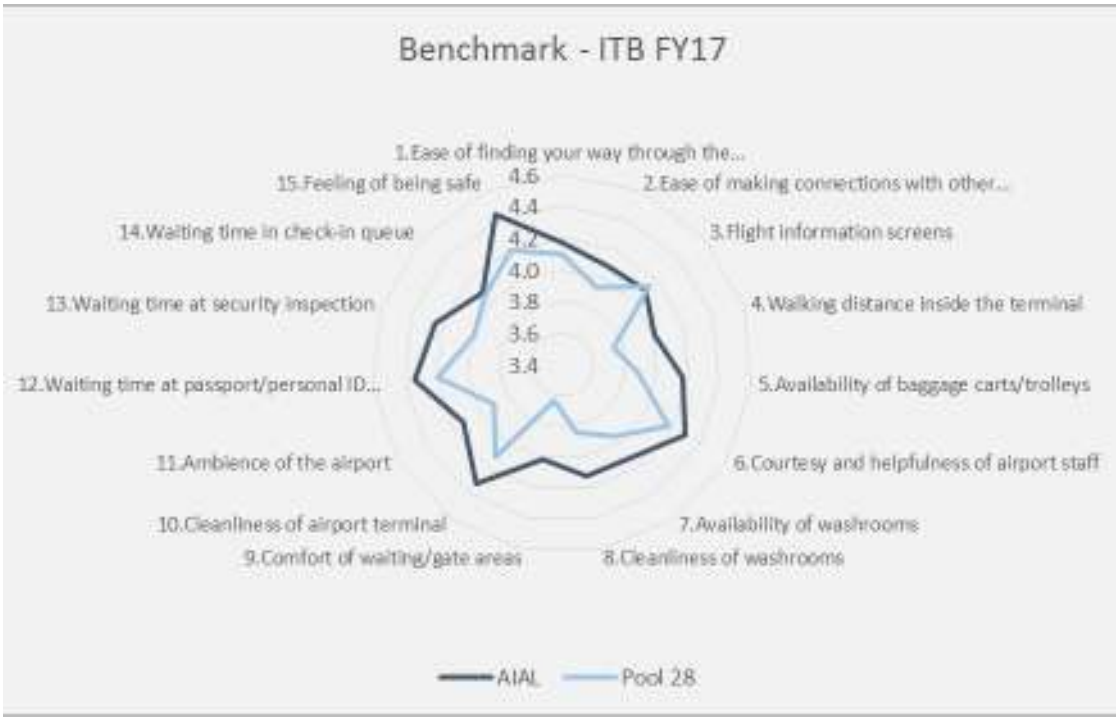
14.3 International terminal

In the 2017 financial year, our international passenger numbers increased by 11% from the previous year, to 10.4 million. As in the domestic terminal, despite the growth in passenger numbers, customer satisfaction in the international terminal remained high. The average score of the 15 regulated factors increased to 4.2, the highest average score achieved in last four years.

Of the 15 regulated factors, 12 outperformed the previous year. Scores of six factors (staff services, gate comfort, terminal cleanliness, inspection time of ID, security screening and airport safety) reached a 4-year high. Scores on way finding and washroom availability dropped slightly, likely due to the construction work currently underway in the terminal.



As the chart below highlights, Auckland Airport matched or exceeded the scores of its benchmark panel group in almost all areas.



Major projects and initiatives undertaken in the international terminal in the 2017 financial year that supported an improved passenger experience including:

- installing 45 mobile international self-service check-in kiosks;
- reconfiguring the international check-in area to provide 13 more serviced counters;
- replacing 23 of 48-inch flight information display screens with new 75-inch screens on the ground floor of the international terminal;
- upgrading the back-of-house international baggage handling system;
- adding new technology to monitor real-time traffic movements across the airport precinct so the journey time information can be provided through the airport's mobile and digital channels;
- new toilet facilities in both international departure and arrival areas;
- expanding the concierge service for international passengers who prefer a personalised and dedicated arrival facilitation service; and
- installing 19 real time customer feedback kiosks across the international terminal covering dwell, main public washrooms, baggage hall and gate lounges.

Details of above projects and initiatives can be found in Schedule 15.

Note Schedule 15: Operational Improvement Processes

The 2017 financial year was another strong year of growth for Auckland Airport. We continued to invest in operational improvement processes to provide quality services to our customers, and to help accommodate the ongoing increases in passengers and aircraft.

With over 40 active aeronautical construction projects underway across the airport, operational improvement processes are also important to help minimise the impact of construction activities on passengers and our airport partners.

Auckland Airport has remained focused on working collaboratively and constructively with all of our stakeholders to maintain and improve service quality for both passengers and airlines. As we explain below, in FY17 Auckland Airport:

- Continued to encourage a collaborative approach to operational improvement. Through participating in a number of forums such as the various Collaborative Operation Groups (COG), we worked alongside stakeholders to improve operational performance across the end-to-end journey. Our collaborative approach also continues to provide stakeholders operating at the airport with an opportunity to input into short, medium and long term planning with their quality preferences.
- Participated in a number of specific forums to facilitate operational improvement in targeted areas, such as the weekly baggage system meeting and the monthly airbridge meeting.

- Identified a number of operational projects to improve passenger flows, improve customer satisfaction, manage peak volumes and enhance capacity through process improvements.
- Continued to bed in the Airport Collaborative Decision Making (A-CDM) system, which has now been in place at Auckland Airport for two years. A-CDM has enabled us to deliver a single source of real-time data that stakeholders across the airport can both access and use. This has facilitated a collaborative approach to the management of activities on the airfield and in the terminals – helping us to accommodate growth in passenger and aircraft numbers, and improving the passenger experience.
- Worked closely with airlines to provide operational and/or capital solutions to accommodate airline requirements.
- Improved health and safety processes and outcomes.

15.1 Capacity enhancement, asset reliability and service quality

Taxiway and airfield upgrades and expansion

Prior to the 2016/17 summer peak season, we significantly expanded our airfield infrastructure to better service international aircraft during our busiest months. These initiatives are expected to decrease congestion on the airfield.

We built a new taxiway, Taxiway Echo, and we constructed a new international airfield stand (stand 74), fully serviced with fuel and other utilities. Later in the 2017 financial year, we started construction of a second, fully serviced international airfield stand (stand 75). We also upgraded two remote international airfield stands so that each can accommodate an A380 or B787, or two smaller aircraft. In total, our airfield pavement increased by 63,000m2, or the equivalent of six rugby fields, through airfield upgrade works completed in FY17.

Fixed electrical ground power unit (FEGP) upgrade

During the year, Auckland Airport has continued to work with Air New Zealand to support the introduction of the new 787-900 series of aircraft. The existing FEGPs were not able to handle the increased electrical demands of the 787-900s, and Auckland Airport has sourced new “AXA” units that can be used with these planes.

Two new AXA units were installed in the 2017 financial year, with a total of seven AXA units installed on contact stands so far. The remaining units will be progressively upgraded, giving Auckland Airport the flexibility to manage 787-900 aircraft as more are bought into service.

Runway planning and resilience

During the 2017 financial year, Auckland Airport has progressed the plan to convert Taxiway Alpha into a flexible contingent runway (FCR). A feasibility study was completed in two phases, the first focusing on the non-compliant strip width at the western end of the runway and the second concentrating on the airfield infrastructure required to operate the flexible contingent runway (this piece was led by Airways).

The study has indicated that a FCR can be feasibly constructed and operated at Auckland Airport. The study also identified that the FCR could be delivered in stages to meet more

immediate maintenance and redundancy requirements, whilst also creating a long-term solution meeting regulatory requirements.

The feasibility study was issued to stakeholders in early October 2017 for review by stakeholders. Prior to moving to a concept design stage, decisions will need to be made by the business as to how soon the flexible contingent runway is required and what length is required. Auckland Airport will continue to engage with airline customers throughout this process.

Auckland Airport has also progressed the planning approvals needed to protect for the operation of our planned second runway, which we currently estimate will be required in around 2028.

Baggage system enhancements

Auckland Airport is committed to providing a robust and reliable baggage system and is investing to improve both capacity and resilience. Auckland Airport has established a specific "BHS 3000" project, which has delivered significant enhancements through the 2017 financial year in conjunction with aligned capex projects. The improvements that have been delivered include:

- Additional system redundancy
- System tuning and optimisation
- Improved check-in counter capacity
- Realignment of Transport Conveyor 1 and Transport Conveyor 4; and
- Maintenance replacement programme of new power curves and ploughs

In addition to the capital initiatives underway, Auckland Airport has worked with its baggage system contractor, Glidepath, to monitor service levels and invest in continuous improvement initiatives, including through enhancements to the Operations and Maintenance agreement. Initiatives in the new contract include:

- Increasing support from 22/7 to 24/7
- Additional staffing levels of both trades teams and manual encode operators as requested by airlines
- Enhanced software support as the automation of the system becomes more complex; and
- Enhanced KPI's and monitoring

Auckland Airport has also employed a baggage handling systems specialist to provide further support with managing these initiatives and the end-to-end process.

Improvements to bus operations

Bus operations are commonplace in airports across the world, facilitating the transfer of passengers between lounges in the terminals and aircraft parked on remote airfield stands.

At Auckland Airport, buses have played a critical role in servicing new demand while new aircraft piers, gates and stands are developed. During the 2017 financial year, 9% of our international flights were serviced using buses and 5% of our domestic flights were serviced by buses.

We continue to consider that bussing is an efficient part of providing peak capacity, and bussing will be an important part of Auckland Airport's operational model over the medium-term as we seek to cater for existing peak services and growth in peak periods at the same time as we manage through an intensive construction period.

To improve the customer experience during bus operations, we have completed a tender and selected the provider of a new airfield bus fleet. Our 10 new airfield buses will be supplied by SkyBus and are scheduled to arrive in early 2018. They have been specifically designed for the comfort of passengers being transferred between the terminals and aircraft parked on remote airfield stands.

The new fleet will offer a significant uplift in service quality and provide a cost-effective, quality service for passengers and airlines. All buses will provide real-time arrivals and departures information, comfortable air conditioning, and Wi-Fi capability that connects seamlessly to Wi-Fi provided in the terminals. The new bussing contract will also deliver service improvements for the benefit of airlines and passengers, including a consistent method of loading and unloading all buses, and increased monitoring, reporting and resolution of service performance matters.

Auckland Airport has also purchased two Aviramp mobile jet bridges to further improve the quality of service for bussed operations. Aviramps are covered ramps that provide an airbridge-like experience for aircraft parked on remote stands, improving the passenger experience, safety and the on-boarding and off-boarding process for airlines.

The mobile jet bridges protect passengers from bad weather and allow passengers to enter or exit their aircraft without having to negotiate stairs. Aviramps also significantly improve the travel experience for passengers with reduced mobility or using a wheelchair by eliminating the need for a separate lift vehicle. Our two Aviramps will be delivered in November 2017 and if the trial is successful, we will purchase more.

Water facilities upgrade

Behind the scenes, our engineering teams have also done their part to ensure the resilience and reliability of our utility facilities across the airport campus. In the 2017 financial year, we upgraded pump station 8 (PS8) and the associated water storage reservoirs.

In the event of a main water supply interruption, PS8 holds adequate water for approximately 24 hours potable use plus a reserve for firefighting purposes. In recent years, the pump station and reservoirs have also provided a secondary function of supplementing the existing water main at times of peak demand. As the station and reservoirs were approaching their end of life, a timely upgrade of the pumps, pipework and associated controls was necessary for this essential element of the airport water network.

During FY17 works were also underway to develop a second water pipeline from Hunua in order to improve resilience.

15.2 Passenger Experience

Auckland Airport remains focused on our customers and ensuring they have safe and enjoyable journeys. In addition to our investments in new infrastructure and capacity during the 2017 financial year, we have continued to rollout other improvements as described below to support a quality passenger experience.

Flight information screen upgrades

The overhead flight information monitors in the check-in area of the international terminal provide an important element of passenger wayfinding within the terminal. In July 2016 we replaced all above-counter screens with 55-inch, high-definition screens for greater visibility from a distance.

In November 2016, we also replaced 23 flight information display screens with new large-scale 75-inch screens on the ground floor of the international terminal. These screens are expected to improve way-finding and to reduce congestion around smaller screens. The font size has been increased by 63% on these new screens.

Improved public address (PA) announcements

An automated public address (PA) system (SimpleVox) was introduced in FY17 for customer service and airline announcements. This system generates announcements in several different languages. It is accessible from the communications position in the airport's operations centre for customer service announcements, as well as our gate lounges for airline staff to make announcements.

This platform provides ease of access for our airline customers to make terminal wide announcements from the gate, without having to call the communications operator.

Following the introduction of the initiative, call volumes to the communications operator declined by 47%, allowing the operator to focus more on flight information management.

New security processing zone

At the end of June 2017, we opened the first stage of the international departures passenger security processing zone. This represented the first significant change to the departure experience for passengers as part of our staged upgrade of the international terminal.

We also advanced the remainder of the departures upgrade in FY17, and have made good progress towards a full opening of the new emigration hall in FY18 – which will ultimately combine customs, screening and a new recompose lobby.

New toilet facilities in international arrivals area

In the 2017 financial year, we upgraded and expanded the international arrival hall toilet facilities to cater for passenger volumes over the medium-term. The upgraded toilet facilities are now able to cope with a maximum of 3000 people per hour within the bag hall at peak times, and were designed for efficient cleaning and maintenance.

New resources

We recruited extra employees, including more than 60 Passenger Experience Assistants to help passengers at the airport during the busy December and January months, and additional

Customer Service Agents to proactively assist passengers in need throughout the year. Post the summer peak, we kept on a smaller pool of Passenger Experience Assistants to assist in the terminal during a period of significant terminal development and construction activity. Their role was to support passengers during peak periods, as well as helping passengers to navigate their way through scaffolding and hoardings.

The services of our customer facing staff have been well received by our passengers over the year. Our annual Airport Service Quality (ASQ) survey score for "courtesy and helpfulness of airport staff" continued to improve and reached a four year high in the 2017 financial year. Details of ASQ survey and Auckland Airport's scores can be found in Schedule 14.

Improvements to the land transport network

We recognise the importance of reliable access to and from Auckland Airport, and have continued to improve our transport network over the 2017 financial year.

We fast-tracked a number of planned roading and transport upgrades on our own network, including:

- Upgrades to the Puhinui Road roundabout to help improve the eastern access to the airport from State Highway 20B/Puhinui Road
- More car parks in our Park & Ride facility, mostly for use by staff working at the international terminal to reduce staff traffic from the inner airport roads
- A new Drop & Ride service at our Park & Ride facility, which helps reduce traffic on the inner airport roads and in the drop-off/pick-up zones at the terminals, and is a quick and easy way to drop-off friends and family
- A new waiting zone for domestic parking, to help traffic flow in the domestic terminal's drop-off/pick-up zone. The Wait Zone provides free parking for 30 minutes just two minutes away from the terminal, and follows the very successful introduction of The Wait Zone at the international terminal in December 2015
- Upgrades to the traffic light phasing and lane configurations at the airport's George Bolt Memorial Drive and Tom Pearce Drive intersection to improve traffic flows
- Changes to the lane configurations at the airport's George Bolt Memorial Drive and Laurence Stevens Drive roundabout to improve traffic flows
- New traffic management plans for use when the airport roading network is particularly busy

We continued to advocate throughout the 2017 financial year for additional transport network improvements, in particular an upgrade to State Highway 20B/Puhinui Road and improved public transport services. We are working closely with the New Zealand Transport Agency and Auckland Transport to advance both short and longer-term roading and public transport solutions for South Auckland and the airport precinct, including a rail service.

Wi-Fi improvements

Auckland Airport has continued to invest in Wi-Fi as both an operations platform and a key customer experience tool. Initiatives in the last few years include:

- Complete replacement of the Wi-Fi operating system in FY17. This investment enhanced the flexibility of the system, upgraded security and provided more customer options.
- At the time of the operating system replacement, the data pipelines were upgraded to significantly enhance security, improve speed and capacity and provide sufficient headroom for future growth.
- In FY17, the free time allocation to customers was doubled from 45 minutes to 90 minutes for those who took the option of joining Strata Club – a free mobile-based programme designed to recognise travel choices with personalised service and benefits. Additional (and improved) speed and time options were provided for customers who wished to purchase enhanced packages.
- In FY18, a full audit was undertaken in the terminals to test Wi-Fi coverage and performance. Where coverage or speed was compromised new "wireless access points" or tuning was undertaken to enhance performance.

15.3 Improvement initiatives driving efficiency and innovation

Mobile self-service check-in kiosks

We have invested in 45 mobile and fully-customisable check-in kiosks in the international terminal. The introduction of these kiosks has enabled more efficient and dynamic use of the check-in area, as the kiosks can be placed anywhere and used quickly and easily by passengers travelling with participating airlines to check in themselves, print boarding passes and bag tags.

International check-in counter reconfiguration

We have also reconfigured Auckland Airport's international terminal check-in hall by replacing existing check-in counters with more compact counters. As a result, we have been able to accommodate a further 13 service counters in Zones B, C, and D. The added check-in capacity has increased our hourly passenger throughput capacity by 20%, reducing queuing and congestion within the international check-in hall.

Smartgate Plus expansion at international arrivals

In March 2017, 15 next generation technology SmartGate Plus gates were installed into the arrivals immigration processing area. These new single step gates replaced older technology, which had a two-step kiosk and gate process, decreasing transaction time and increasing total throughput capacity through SmartGate for eligible passport holders.

Immigration processing times remained consistent with the prior year, while arrival passenger growth increased by 10% over the same period.

Improved international transit security screening

During the 2017 financial year, Auckland Airport worked closely with Aviation Security to improve passenger processing times by installing a seventh security screening machine in the international departure area and by improving the international transit screening facility.

The Aviation Security screening lanes in the international transit facility were reconfigured and extended in December 2016. This project delivered increased throughput capacity and a better experience for our international transfer customers, including providing more space to prepare for the security screening process.

The new reconfiguration and layout made it possible for us to measure the processing time for transit passengers, which was not previously recorded. Over the summer peak period (December 2016 – March 2017), an average processing time of 11 minutes was achieved for international transit passengers using the reconfigured facility – the time was measured from the disembarkation gates to the moment the passengers completed the transit security screening process.

Improved biosecurity experience

There were a number of biosecurity challenges in FY17, including the introduction of direct services from new destinations, and new biosecurity risks (such as myrtle rust). To help respond to these challenges and to improve the international arrival experience, in December 2016 the Ministry for Primary Industries (MPI) introduced an additional baggage X-ray machine, a 2nd detector dog team and an enlarged biosecurity area layout with a new biosecurity lane called the Green Lane. Auckland Airport worked with MPI to understand their requirements and to project manage the implementation of these initiatives.

The Green Lane, funded and constructed by Auckland Airport, is for use by New Zealand and Australian passport holders who arrive in the country and do not have any food or other biosecurity risk items to declare. This reduces congestion by allowing New Zealand and Australian travellers with nothing to declare to go straight to risk assessment via their own queue line, rather than being held up waiting for passengers with declared goods to be checked.

Development of operational traffic management plans

During December 2016 a collaborative partnership was established between Auckland Transport Operations Centre ("**ATOC**") and Auckland Airport's Operations Centre. The partnership aimed to improve the flow of traffic into and around the airport precinct, and resulted in the creation of:

- A joint daily operating model
- Sharing of joint business intelligence with respect to road usage and passenger and airport worker peak movements
- The deployment of Airport personnel to the ATOC at high risk times
- Direct liaison with senior traffic engineers to optimise traffic flows on the airport precinct
- Joint training initiatives

This led to the formal signing of a Standard Operating Procedure (SOP) between both organisations in early 2017. This collaborative approach has built shared knowledge, increased the quality of communications, and supported faster and more efficient resolutions of transport issues – minimising the impact for passengers and airport stakeholders.

Trial of customer service centre

Over FY17, there has been a 30% growth in the volume of customer calls received by the operations centre, as well as increases in our other customer contact channels such as social media and email. We have taken a number of steps to improve the management and resolution of these customer queries in FY17. We trialled a dedicated customer service centre with additional resource, which resulted in a 15% improvement in our responsiveness (measured by the percentage of calls answered in under 20 seconds). Going forward, we are planning to consolidate all customer contact channels (phone, email, and social media) and utilise new technology to improve our responsiveness to consumer issues.

Auckland Airport has significantly enhanced its existing Customer relationship management (CRM) system over the past twelve months and will continue to do so in the upcoming years as it is a key platform to manage the customer experience. These enhancements include:

- Creation of a customer profile so that key customer information is collected in just one place.
- Creation of "case management" – this provides end-to-end tracking and a record of customer complaints, questions and comments in to Auckland Airport.
- The central repository of customer information for all of our digital and customer experience initiatives.

Collaborative Operations Group (COG)

Auckland Airport's operations team has continued to work collaboratively with our airport stakeholders through our Collaborative Operations Group ("**COG**") structure, and a number of process improvement projects have been undertaken by COG in FY17. For example:

- Arrivals baggage delivery times improved by approximately 13% for wide body aircraft (reduction in average delivery time of 4 minutes and 48 seconds) and 6% on narrow body aircraft (reduction in average delivery time of 1 minute and 36 seconds) compared to the delivery times prior to the improvement project completion. Some of the improvement initiatives included additional communication channels, presentation of first bag and last bag delivery times to passengers, and installation of FIDS for the transfer bag area. Daily reporting of baggage delivery performance to ground handler management has been established, and detailed analysis on baggage delivery is now presented at both Senior and CEO-level COG forums.
- Domestic screening processing times reduced by an average of 2 minutes per passenger as a result of COG improvement initiatives.
- Initiatives were undertaken to improve the handling of oversized and fragile baggage, which improved throughput in comparison to 2016. These initiatives included an

increase in footprint and capacity for the relevant storage space, and an improved drop-off location to increase convenience and accessibility for passengers.

In addition, two new COG key performance indicators have been agreed at CEO level. These are:

- A target to process 80% of transit passengers in less than 15 minutes per passenger.
- A target of 90% of COG partners attending daily COG meetings.

Auckland Airport has also lead summer peak planning under Project Capricorn. Examples of initiatives delivered by Project Capricorn include the new slim-line check-in counters, completion of the MPI Green Lane and improvements to the International-to-International Transit Screening Area. The benefits of these projects are explained elsewhere in this schedule.

Improved emergency management systems

A web based incident management system (Noggin) was implemented in the 2017 financial year to improve the visibility of incident related information during the activation of an emergency operation centre (EOC).

Noggin provides duty managers with remote access to view event details of an incident and delivers improved communications to stakeholders during an incident, by sending SMS messages detailing the severity and nature of the incident. Incident logs can be accessed in real time from a web interface and mobile application.

Customer experience measure system

In addition to quarterly ASQ surveys, Auckland Airport also started implementing a customer experience measure system in the 2017 financial year to capture real time customer feedback.

In the first quarter of FY17, 23 built-in or freestanding touchscreen kiosks were installed at key touch points in the customer journey, including in washrooms, bag claim arrivals and gate lounge areas. Passengers are able to use the devices to rate their experience on the relevant service, i.e. rate their washroom experience on the kiosk located in the washroom and select the reasons for dissatisfaction if they rate a service poorly.

The real time customer experience measurement system has been well received since installation. In the 2nd quarter of 2017, we received more than 150,000 individual satisfaction ratings via the 23 kiosks in the international and domestic terminals - more than 107,000 from bathrooms alone (our priority zones for measuring satisfaction).

Real time feedback on customer experience enables Auckland Airport to monitor the service level in a timely manner and to respond quickly on issues that may affect the customer journey. Dashboards and in-depth reporting mean that it is possible to analyse results using various lenses, including a particular time of the day, day of the week, or by season. The system has capabilities (including free-text feedback) that are the first of its kind in Asia Pacific and Southern Hemisphere.

New technology to monitor real-time traffic movements

In the 2017 financial year, Auckland Airport started using Bliptrack technology in its terminals as a passenger flow management tool to help measure passenger journey times and respond to areas where there are delays in that journey.

The system is used to provide indicative queue wait times at departures and through the airport's mobile and digital channels so passengers can make a decision around the best time to go through security.

Bliptrack is also in use on Auckland Airport's road network to help us better understand traffic flow and help with reporting on traffic events.

15.4 Health and Safety

Corporate health and safety

The health and safety of employees, contractors, customers and visitors remained a top priority for Auckland Airport. We continued to grow the team responsible for supporting our employees, with 23 people now trained to investigate health and safety incidents across the company, and significantly enhanced our permit to work system for managing higher-risk and non-routine physical works.

In the 12 months to 30 June 2017, staff health and safety engagement increased to 68%, an indicator of an increasingly proactive safety culture. Underlying this result, the 2017 financial year saw a 27% increase in the reporting of safety observations, hazards and near misses, a 22% decrease in the employee recordable injury frequency rate and an 81% reduction in the contractor lost time injury frequency rate.

Escalator lighting improvements

Low power LED lights were installed to illuminate underneath the escalator steps on eight escalators with high levels of public use. This newer technology is well utilised in malls and helps the public identify the edge of the escalator steps, minimising the number of health and safety incidents on escalators caused by people tripping and falling.

Audible sounders at travellator ends

Audible sounders have been installed on seven travellators to remind the public when they approach the end of the travellators. Along with visual warning signs that are currently installed at the travellators, it is envisaged that the audio sounders will help minimise trip and fall risks.

Domestic hold bag screening

In April 2016, the government mandated Hold Baggage Screening (HBS) for all baggage on domestic jet services operating from the five main airports in New Zealand.

To comply with the new requirement, Auckland Airport required the two separate baggage systems in the domestic terminal (the eastern Air NZ owned system and western Auckland Airport owned system) to be modified to allow for the installation of new x-ray machines. The new screening system was completed in December 2016.

Airport Emergency Service (AES) equipment upgrades

The following upgrades were carried out in FY17:

- Replacement of the thermal imaging camera for two fire units
- Construction of a replacement domestic rescue appliance (Rescue 1) commenced in FY17 and is expected to be completed in FY18
- Self-Contained Breathing Apparatus (SCBA) sets were replaced. Selected units are compatible with New Zealand Fire Service units, providing the advantage of mutual aid compatibility when attending an incident
- Replacement of cut off saws to maintain AES equipment to international ISO and CE standards and remove aged and potentially less reliable units. The cut off saws are used to gain access to buildings and aircraft via an alternate entry point
- New hydraulic lifter units purchased to ensure AES meets CAA requirements with the benefit of these units being useful for both aviation and motor vehicle incidents
- An additional breathing apparatus compressor unit with greater capacity was purchased. The secondary unit remains active for the training school and as a back-up unit in the event of a failure for the primary

Airfield safety initiatives

The 2017 financial year has also seen some significant safety enhancements at both our terminal roads and apron area.

- Repainted and added additional barriers along domestic terminal building airside inner road to prevent pedestrians being injured by high volume of tugs and ground service equipment located in the area
- Convex mirror and directional arrows installed to better assist the people working in the area and prevent incidences from happening
- 26 spill kits were strategically placed on both international and domestic aprons to reduce the risk of a slip/fall or a vehicle skidding through oil which may also result in injury or damage
- New speed cameras were also installed on the aprons to bring attention to speeders on airside roads. Speeding photos are produced of the offending driver and presented to the stakeholders at the apron safety meeting for their acknowledgement and action
- New red “Plastic Wrap Only” bins are placed at various spots on the aprons. They are used to collect large pieces of plastic foreign object debris (FOD) which are a real danger to aircraft. This initiative also allows environmentally friendly disposal of this debris.

15.5 Sustainability

As a major New Zealand company, we are committed to operating in an environmentally sustainable way and we are well on track to achieving our 2020 goal of reducing our environmental footprint by 20% per passenger.

In the 2017 financial year, the amount of waste per passenger sent to landfill decreased by a further 4% and energy use per passenger fell by 7%.

We established a transitional waste facility to improve the sorting of aeronautical biosecurity waste and successfully completed a three-year energy savings agreement with the Energy Efficiency and Conservation Authority (EECA). We also undertook a new climate change analysis to increase our understanding and minimise our risk in relation to climate change events.

Note Schedule 16: Associated statistics

Sustainably growing Auckland Airport's air connectivity continues to be essential for our long-term performance, and the combination of new airlines, new services and new capacity provides the growth that underpins our ongoing success.

In the 2017 financial year, the total number of passenger movements was up 10.2% to 19 million. A further breakdown is provided below:

16.1 Passenger Movement Statistics

	2017	2016	% change
Auckland Airport passenger movements*			
International arrivals	4,906,383	4,420,659	11.0
International departures	4,836,597	4,358,907	11.0
International passengers excluding transits	9,742,980	8,779,566	11.0
Transit passengers	675,752	578,706	16.8
Total international passengers	10,418,732	9,358,272	11.3
Domestic passengers	8,601,841	7,902,059	8.9
Total passenger movements	19,020,573	17,260,331	10.2

Domestic

Domestic passenger numbers grew strongly in the 2017 financial year, increasing by 8.9% or 699,782 passengers. This growth was delivered by increased frequencies on Air New Zealand main trunk jet services including a full year of Queenstown after-dark services. The balance was delivered through regional passenger growth of 16.1% with Air New Zealand and Jetstar adding another 330,000 regional seats over the year on regional services.

International

International passenger numbers (excluding transits) increased by 11.0% in the year to 30 June 2017. This was a very strong outcome across a broad range of routes and markets.

In the 2017 financial year, our work to grow travel markets with airlines and other travel partners continued the strong performance achieved in recent years. International passenger

growth has been strong across the Americas, European, Asia and Australian markets this year, driven by capacity growth. European markets have benefited from increased connectivity with passengers from the United Kingdom up 16.9%, Germany up 17.0% and France up 14.6% following the expansion of European connections through Qatar, Dubai, Bangkok and Beijing.

The number of international airlines serving Auckland substantially increased during the 2017 financial year from 23 to 30 with the launch of United Airlines, Hong Kong Airlines, Tianjin Airlines, Hainan Airlines, Qatar Airways, Sichuan Airlines and Norfolk Island Airlines. Since 2015, the number of airlines has grown very rapidly from 18 to 30.

Capacity increased across all regions including a 25% increase on North American services, a 7% increase on the Tasman and a 28% increase in capacity to mainland China, a 20% increase on South America and a 485.8% increase from the Middle East.

Established markets

The 2017 financial year saw the following growth in air connectivity for our established markets:

- The success of Emirates' Auckland to Dubai direct daily service, launched in the 2016 financial year, saw the airline replace its B777 aircraft with a larger A380 in October 2016.
- Air New Zealand continued its recent seat capacity additions via its Ho Chi Minh City, Houston and Buenos Aires services, launched in the 2016 financial year.

Emerging and new markets

The number of international airlines serving Auckland substantially increased during the 2017 financial year from 23 to 30 with the launch of United Airlines, Hong Kong Airlines, Tianjin Airlines, Hainan Airlines, Qatar Airways, Sichuan Airlines and Norfolk Island Airlines:

- In July 2016, United Airlines introduced a three-flights-per-week B787 Dreamliner service between Auckland and San Francisco. From October 2016, this service increased to a daily service using a larger B777 aircraft; however, it was placed on hold in April 2017 and will recommence in October 2017.
- In November 2016, Hong Kong Airlines commenced a daily A330 service between Hong Kong and Auckland. The airline increased this service to 10 flights per week between December 2016 and February 2017.
- In December 2016, Tianjin Airlines commenced its first Australasian service, with up to three-flights-per-week using an A330 aircraft between Auckland and the Chinese cities of Tianjin and Chongqing.
- Also in December 2016, Hainan Airlines started a new direct A330 service from Shenzhen in southern China.
- In February 2017, Qatar Airways started a new daily B777 service between Doha and Auckland – our second direct Middle Eastern route and the world's longest duration commercial passenger flight.

- Sichuan Airlines launched a three-times-per-week A330 service from Chengdu in June 2017. Sichuan Airlines is the seventh airline flying passengers between Auckland and mainland China.

- Norfolk Island Airlines reopened services on the Norfolk Island to Auckland route.

The 2017 financial year also saw Air New Zealand continue its international route expansion, adding a seasonal three-flights-per-week B787 service between Auckland and Osaka from November 2016

16.2 Aircraft Movement Statistics

Total aircraft movements in the year were 169,245, an increase of 7.3% from the 2016 financial year, while total maximum certified take-off weight (MCTOW) increased by 12.5% to 7,848,097. The strong growth in MCTOW reflects the trend of larger aircraft, particularly international, using Auckland Airport.

	2017	2016	% change
Aircraft movements			
International aircraft movements	54,879	49,828	10.1
Domestic aircraft movements	114,366	107,944	5.9
Total aircraft movements	169,245	157,772	7.3
MCTOW (tonnes)			
International MCTOW	5,609,244	4,910,014	14.2
Domestic MCTOW	2,238,853	2,068,545	8.2
Total MCTOW	7,848,097	6,978,559	12.5

16.3 Human Resource Statistics

The total full time equivalent employees of the regulated aeronautical business was 337 for the year ended 30 June 2017, which is 15 more than the year ended 30 June 2016. The growth came in a year during which seven new airlines commenced services to Auckland, there was a full year impact from increased international and domestic bussing operations and further increases in the volume of international and domestic aircraft movements. The increase in actual staff numbers occurred in three main areas, Terminal, Engineering Services and Support Services. Terminal headcount increased primarily due to additional Passenger Experience Assistants (+11) to improve customer experience and to help ease congestion during this period of strong passenger growth and increased Skygate Security Officers (+1) to improve overall terminal security. Engineering Services headcount increased (+6) reflecting additional resourcing requirements due to an increase in the overall infrastructure and equipment asset base over recent years to ensure airfield, terminal and utility assets are maintained to a high service level.

Support Services headcount reflects staffing levels of teams which enable and support the efficient operation of the business including Health & Safety, Finance, Technology etc. and in the 12 months ended 30 June 2017 headcount increased (+12) on the prior 12 month period. The increase in Support Services headcount was driven by a number of factors including higher resourcing requirements during the PSE3 (FY18-22) price setting process, increased investment in Health and Safety and Human Resources, increased personnel numbers in Technology, Finance and Legal reflecting a general uplift in activity of existing teams caused by greater volumes, new customers and a significant programme of capital works.

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.

Note Schedule 17: Pricing Statistics

Auckland Airport's five-year pricing schedule which underpins revenues in this disclosure was introduced on 1 July 2012. The pricing schedule followed a comprehensive consultation process and featured a first year reduction in international charges and an increase in domestic charges, largely to fund much needed capacity relief at the domestic terminal. The PSE2 schedule of standard charges is available on our website (www.aucklandairport.co.nz).

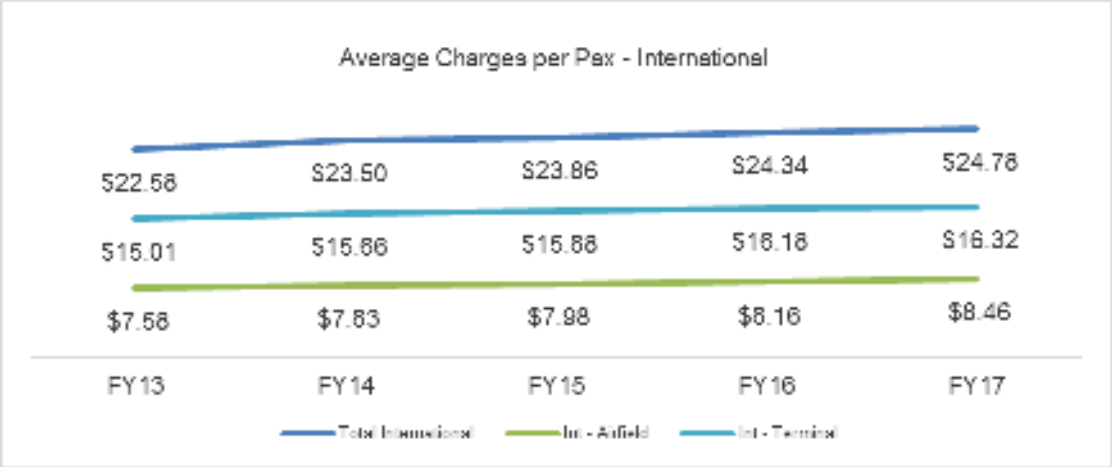
Standard aircraft and terminal charges were priced to increase by around 2% annually, broadly in line with the expected rate of inflation. All airport charges are collected from airlines and form part of their cost of operations (i.e. there are no charges directly payable by passengers). Average charges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

17.1 International

Average airfield activity charges per international passenger increased from $8.16 in the year ended 30 June 2016 to $8.46 for the year ended 30 June 2017 as international MCTOW growth outstripped international passenger growth with new and existing airlines adding new international services.

Average passenger terminal charges per international passenger have increased 0.8% from $16.18 in the year ended 30 June 2016 to $16.32 for the year ended 30 June 2017. PSE2 passenger terminal charges increased from FY2013 to FY2017 in part due to the increase in passenger service charge for 2-11 years old (from 50% in the year ended 30 June 2013 to 100% charge for the year ended 30 June 2014).

Average charges from both airfield and passenger terminal activities per international passenger have increased from $24.34 in the year ended 30 June 2016 to $24.78 in the year ended 30 June 2017. This equates to a 1.8% increase, in line with forecast inflation at the time of pricing and the 1.7% CPI increase in FY2017. The five-year CAGR for average charges per passenger for both airfield and passenger terminal charges was 1.6% per annum.

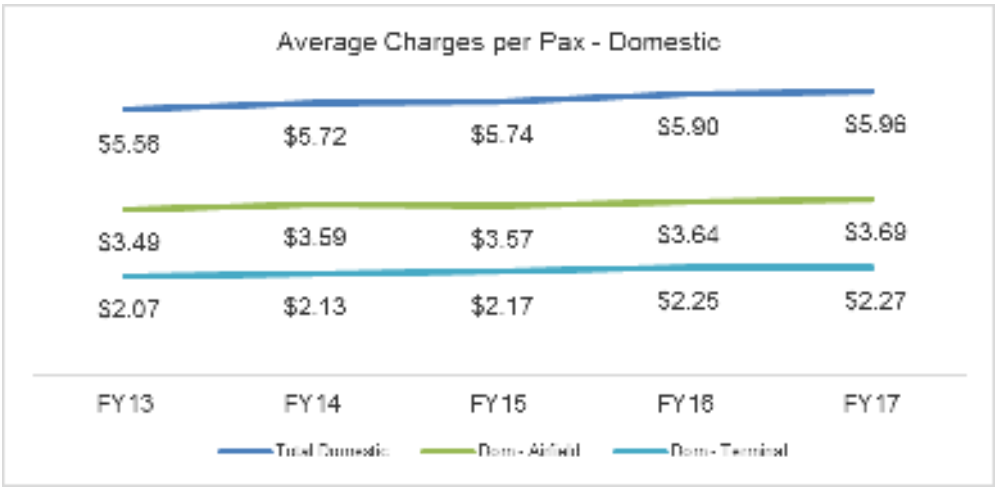


17.2 Domestic

The average charges from airfield activities for domestic passengers increased by 1.4% from $3.64 in the year ended 30 June 2016 to $3.69 in the year ended 30 June 2017.

The average charge from specified passenger terminal activities for domestic increased 0.6%, from $2.25 in the year ended 30 June 2016 to $2.27 for the year ended 30 June 2017.

The average domestic charge per passenger relating to both airfield and passenger terminal activities increased 1.1% from $5.90 in the year ended 30 June 2016 to $5.96 in the year ended 30 June 2017.



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

Company Name	Auckland International Airport Limited
Disclosure Date	30 November 2017
Disclosure Year (year ended)	30 June 2017
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 (Annual Disclosure)
Version 3.0. Prepared 20 December 2016

Table of Contents

Disclosure Template Guidelines for Information Entry

Internal consistency check | OK

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

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

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

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

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

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

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2017**

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT

ref Version 3.0

($000 unless otherwise specified)

1a: Return on Investment

			CY-2 *	CY-1 *	Current Year CY
	Return on Investment (ROI)	for year ended	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**
	Regulatory profit / (loss)		96,461	102,012	126,794
less	Notional interest tax shield		3,112	2,537	2,008
	Adjusted regulatory profit		93,349	99,475	124,786
	Regulatory investment value		1,174,743	1,197,998	1,151,026
	ROI—comparable to a post tax WACC (%)		7.95%	8.30%	10.84%
	Post tax WACC (%)		7.37%	6.68%	5.94%
	ROI—comparable to a vanilla WACC (%)		8.21%	8.52%	11.02%
	Vanilla WACC (%)		7.64%	6.90%	6.12%

Commentary on Return on Investment

Schedule 1 reports on Auckland Airport's return on investment (ROI) on its regulated activities compared with the Commerce Commission's 50th percentile (mid-point) post-tax weighted average cost of capital ("WACC") estimates for each of the three years ended 30 June 2017. WACC is reported on a vanilla and post-tax basis. Actual returns reflect prices set in 2012 when the Commerce Commission assessed our target return of 8% as just within the Commission's estimated range of acceptable returns of 7.1% to 8.0%.

In December 2016, the Commission amended the IMs to provide airports the ability to either index or not index the RAB for ID purposes, provided that airports adopted the approach that was most consistent with their pricing decisions. As a result, consistent with the pricing approach in place for PSE2, Auckland Airport's FY17 disclosure does not include any revaluations for airfield and terminal assets. Auckland Airport has also restated its RAB to remove all previously disclosed revaluations for airfield and terminal assets from the start of the ID regime. The FY17 ROI is based on Auckland Airport's actual restated asset base.

Refer to Disclosure Commentary, Note 1 for discussion of the effective PSE2 return of 8.5% over the 5 year pricing period.

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

	Regulated Airport	**Auckland International Airport Limited**
	For Year Ended	**30 June 2017**

SCHEDULE 1: REPORT ON RETURN ON INVESTMENT (cont)

ref Version 3.0

($000 unless otherwise specified)

1b: Notes to the Report

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

ref		
FC	RAB value - previous year	1,107,225
58	Debt leverage assumption (%)	17%
59	Cost of debt assumption (%)	3.81%
60	Notional deductible interest	7,171
61	Tax rate (%)	28.0%
62	Notional interest tax shield	2,008

1b(ii): Regulatory Investment Value

ref		
64	Regulatory asset base value - previous year	1,107,225

ref		Commissioned Projects	Assets Commissioned—RAB Value ($000)	Proportion of Year Available (%)	Proportionate Regulatory Value
66		ITB Level 1 - Phase 3	39,900	8%	3,300
67		New Stand 1	8,123	66%	5,385
68		New Stand 2	32,654	50%	16,193
NL		Further Stands	8,566	50%	4,248
70		Concrete runway and apron replacement	6,048	25%	1,508
NL		Short term capacity enhancements (DTB)	4,294	17%	743
NL		BHS feed expansion (or BHS 2)	2,483	26%	652
NL		Asphalt apron replacement	2,427	88%	2,145
NL		Support Facilities (Acoustic Mitigation)	1,623	0%	–
NL		Check in project	2,756	26%	715
NL		Pier B ground boarding project (or PIERB 1)	384	58%	223
77		ITB Airbridge refurbishment	750	52%	387
78		Baggage Reclaim Expansion	92	36%	34
79		Asset Maintenance (Business as Usual)	42	7%	3
80		Support Facilities (Corporate)	29	40%	12
81		Other capital expenditure	25,106	38%	9,446
82	plus	Other assets commissioned	–	50%	–
83	plus	Adjustment for merger, acquisition or sale activity	–		–
84	less	Asset disposals	2,383	50%	1,191
85		RAB investment	132,895		
86		RAB proportionate investment			43,801
87					
88		Regulatory investment value			1,151,026
89					

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

ref | Version 3.0

2a: Regulatory Profit

ref					($000)
7	**Income**				
8		Airfield		119,639	
9		Passenger Services Charge		174,323	
10					
11					
12		Lease, rental and concession income		29,275	
13		Other operating revenue		2,976	
14		Net operating revenue			326,213
15					
16		Gains / (losses) on sale of assets		(2,383)	
17		Other income			
18		Total regulatory income			323,830
19	**Expenses**				
20		Operational expenditure:			
21		Corporate overheads		36,834	
22		Asset management and airport operations		27,134	
23		Asset maintenance		42,193	
24		Total operational expenditure			106,161
25					
26	**Operating surplus / (deficit)**				217,669
27					
28		Regulatory depreciation			44,401
29					
30	plus	Indexed revaluation		981	
31	plus	Periodic land revaluations		–	
32		Total revaluations			981
33					
34	**Regulatory Profit / (Loss) before tax**				174,249
35					
36	less	Regulatory tax allowance			47,455
37					
38	**Regulatory Profit / (Loss)**				126,794

39 **Commentary on Regulatory Profit**

40 Refer to Disclosure Commentary Note 2.

41

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Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT (cont)

ref | Version 3.0

($000 unless otherwise specified)

2b: Notes to the Report

2b(i): Financial Incentives

		($000)
Pricing incentives	1,091	
Other incentives	7,353	
Total financial incentives		8,444

2b(ii): Rates and Levy Costs

	($000)
Rates and levy costs	3,925

2b(iii): Merger and Acquisition Expenses

	($000)
Merger and acquisition expenses	–

Justification for Merger and Acquisition Expenses

No Merger and Acquisition expenses in year.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref Version 3.0

3a: Regulatory Tax Allowance

ref					($000)
7		Regulatory profit / (loss) before tax			174,249
8					
9	plus	Regulatory depreciation	44,401		
10		Other permanent differences—not deductible	120	*	
11		Other temporary adjustments—current period	9,985	*	
12					54,506
13					
14	less	Total revaluations	981		
15		Tax depreciation	37,017		
16		Notional deductible interest	7,171		
17		Other permanent differences—non taxable	–	*	
18		Other temporary adjustments—prior period	14,103	*	
19					59,273
20					
21		Regulatory taxable income (loss)			169,482
22					
23	less	Tax losses used	–		
24		Net taxable income			169,482
25					
26		Statutory tax rate (%)	28.0%		
27		Regulatory tax allowance			47,455

* Workings to be provided

28

3b: Notes to the Report

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

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

Refer to Disclosure Commentary Note 3.

3b(ii): Tax Depreciation Roll-Forward

ref			($000)		
37		Opening RAB (Tax Value)	634,066		
38	plus	Regulatory tax asset value of additions	95,715		
39	less	Regulatory tax asset value of disposals	1,680		
40	plus	Regulatory tax asset value of assets transferred from/(to) unregulated asset base	–		
41	less	Tax depreciation	37,017		
42	plus	Other adjustments to the RAB tax value	(15,021)		
43		Closing RAB (tax value)			676,063

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

ref			($000)		
46		Tax losses (regulated business)—prior period	–		
47	plus	Current year tax losses	–		
48	less	Tax losses used	–		
49					
50		Tax losses (regulated business)			–

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

ref Version 3.0

		Unallocated RAB * ($000)	Unallocated RAB * ($000)	RAB ($000)	RAB ($000)
	RAB value—previous disclosure year		1,286,735		1,107,225
less					
	Regulatory depreciation		53,995		44,401
plus					
	Indexed revaluations	981		981	
	Periodic land revaluations	–		–	
	Total revaluations		981		981
plus					
	Assets commissioned (other than below)	158,444		135,277	
	Assets acquired from a regulated supplier	–		–	
	Assets acquired from a related party	–		–	
	Assets commissioned		158,444		135,277
less					
	Asset disposals (other)	3,652		2,383	
	Asset disposals to a regulated supplier	–		–	
	Asset disposals to a related party	–		–	
	Asset disposals		3,652		2,383
plus	**Lost and found assets adjustment**		3,130		–
	Adjustment resulting from cost allocation				(9,444)
	RAB value †		1,391,642		1,187,257

Commentary

Refer to Disclosure Commentary Note 4.

* 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	53,995	44,401
Non-standard depreciation	–	–
Regulatory depreciation	53,995	44,401

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

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

ref | Version 3.0

($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)			1,205
	CPI at CPI reference date—current year (index value)			1,226
	Revaluation rate (%)			1.74%
		Unallocated RAB		**RAB**
	RAB value—previous disclosure year	1,286,735		1,107,225
less	Revalued land	–	–	
less	Assets not subject to revaluation	1,230,090	1,050,580	
less	Assets with nil physical asset life	366	366	
less	Asset disposals	–	–	
less	Lost asset adjustment	–	–	
	Indexed revaluation	981		981

4b(v): Works Under Construction

		Unallocated works under construction		Allocated works under construction	
	Works under construction—previous disclosure year		130,604		111,785
plus	Capital expenditure	268,250		233,112	
less	Asset commissioned	158,444		135,277	
less	Offsetting revenue	–		–	
plus	Adjustment resulting from cost allocation				(1,782)
	Works under construction		240,410		207,838

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

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

ref | Version 3.0

4b(vi): Capital Expenditure by Primary Purpose

ref				
92		Capacity growth	203,665	
93	plus	Asset replacement and renewal	29,447	
94		Total capital expenditure		233,112

4b(vii): Asset Classes

ref			Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
97		RAB value—previous disclosure year	334,762	218,030	522,413	32,020	1,107,225
98	less	Regulatory depreciation	4	8,710	26,726	8,961	44,401
99	plus	Indexed revaluations	444	–	534	3	981
100	plus	Periodic land revaluations	–				–
101	plus	Assets commissioned	–	50,874	74,972	9,431	135,277
102	less	Asset disposals	–	–	2,385	(2)	2,383
103	plus	Lost and found assets adjustment	–	–	–	–	–
104	plus	Adjustment resulting from cost allocation	(319)	(7,675)	(2,187)	737	(9,444)
105		RAB value	334,883	252,519	566,623	33,232	1,187,257

* Corresponds to values in RAB roll forward calculation.

4b(viii): Assets Held for Future Use

ref			Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total
108		Assets held for future use—previous disclosure year	157,224	125,252	(7,860)	(13,373)	276,963
109	plus	Assets held for future use—additions[1]	349	23,473	(1,042)	–	24,863
110	less	Transfer to works under construction	–	–	–	–	–
111	less	Assets held for future use—disposals	718	678	(41)	(61)	1,376
112		Assets held for future use[2]	156,855	148,047	(8,861)	(13,312)	300,451

[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'* .

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

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2017**

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

ref Version 3.0

5(i): Related Party Transactions

	($000)
Net operating revenue	–
Operational expenditure	5,162
Related party capital expenditure	289
Market value of asset disposals	1,355
Other related party transactions	6,907

5(ii): Entities Involved in Related Party Transactions

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

5(iii): Related Party Transactions

Entity Name	Description of Transaction	Average Unit Price ($)	Value ($000)
Auckland Council	Rates paid by Auckland Airport to Auckland Council for the regulated business	N/A	2,378
Auckland Council	Compliance, consent fees and other government regulatory obligations	N/A	370
City Park Services	Grounds maintenance for the regulated business	N/A	1,551
Watercare	Water, wastewater and compliance services for the regulated business	N/A	1,153
Auckland Airport (non-regulated business)	Disposal of 16,525 sqm of land held for future use to the non regulated business for use as carparking at Park and Ride.	82.00 m2	1,355
Key management personnel	Remuneration of directors	N/A	1,079
Key management personnel	Remuneration of the senior management team	N/A	5,757
Auckland International Airport Marae Ltd	Maintenance and occupancy costs for the regulated business	N/A	72

36				
37				

Commentary on Related Party Transactions

Refer to Disclosure Commentary Note 5.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 6: REPORT ON ACTUAL TO FORECAST EXPENDITURE

ref Version 3.0

6a: Actual to Forecast Expenditure

($000)

Expenditure by Category	Actual for Current Disclosure Year (a)	Forecast for Current Disclosure Year* (b)	% Variance (a)/(b)-1	Actual for Period to Date (a)	Forecast for Period to Date* (b)	% Variance (a)/(b)-1
Capacity growth	203,665	27,515	640.2%	379,805	196,585	93.2%
Asset replacement and renewal	29,447	20,605	42.9%	142,072	93,165	52.5%
Total capital expenditure	233,112	48,120	384.4%	521,877	289,749	80.1%
Corporate overheads	36,834	21,860	68.5%	169,437	112,341	50.8%
Asset management and airport operations	27,134	26,558	2.2%	118,050	120,831	(2.3%)
Asset maintenance	42,193	38,324	10.1%	178,706	172,581	3.5%
Total operational expenditure	106,161	86,742	22.4%	466,194	405,753	14.9%
Key Capital Expenditure Projects						
Short term capacity enhancements (DTB)	4,206	–	Not defined	29,721	31,883	(6.8%)
Baggage Reclaim Expansion (RECLAIM 1)	–	–	Not defined	13,301	11,214	18.6%
BHS feed expansion (or BHS 2)	1,392	–	Not defined	2,483	12,371	(79.9%)
Check in project	7,407	–	Not defined	7,996	7,151	11.8%
ITB Forecourt Reconfiguration (or FC3)	–	9,712	(100.0%)	–	14,414	(100.0%)
Landside ground floor capacity enhancement	–	13,674	(100.0%)	–	16,099	(100.0%)
New Stand 1	1,427	–	Not defined	8,127	10,119	(19.7%)
New Stand 2	29,235	–	Not defined	32,568	11,750	177.2%
Further Stands	10,789	–	Not defined	10,789	Not defined	Not defined
Taxilane 1	–	–	Not defined	–	11,244	(100.0%)
Pier B ground boarding project (or PIERB 1)	60,457	–	Not defined	70,593	15,275	362.2%
Asphalt apron replacement	70	326	(78.6%)	6,659	4,493	48.2%
Concrete runway and apron replacement	7,657	6,520	17.4%	26,203	28,850	(9.2%)
ITB Airbridge refurbishment	834	391	113.1%	7,005	5,239	33.7%
Taxiway Lima	5	–	Not defined	14,544	21,534	(32.5%)
Premium lounge	115	–	Not defined	9,051	Not defined	Not defined
ITB Level 1 - Phase 3	64,527	–	Not defined	102,710	Not defined	Not defined
ITB Baggage Phase 1.2	1,106	–	Not defined	10,463	Not defined	Not defined
AES ARFFVehicle Replacement	–	–	Not defined	6,082	Not defined	Not defined
AES Marine Craft Replacement	–	–	Not defined	5,254	Not defined	Not defined
AOS Upgrade	–	–	Not defined	5,207	Not defined	Not defined
Northern Runway Mode of Operation	1,107	–	Not defined	5,782	Not defined	Not defined
Operations centre relocation	(522)	–	Not defined	7,276	Not defined	Not defined
Other capital expenditure	43,300	17,497	147.5%	140,064	88,114	59.0%
Total capital expenditure	233,112	48,120	384.4%	521,877	289,749	80.1%

Explanation of Variances

Refer to Disclosure Commentary Note 6.

Airport Companies must provide a brief explanation for any line item variance of more than 10%

* Disclosure year coincides with Pricing Period Starting Year + 4.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

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

ref Version 3.0

6b: Forecast Expenditure

From most recent disclosure following a price setting event

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

	Expenditure by Category	for year ended	Pricing Period Starting Year 30 Jun 13	Pricing Period Starting Year + 1 30 Jun 14	Pricing Period Starting Year + 2 30 Jun 15	Pricing Period Starting Year + 3 30 Jun 16	Pricing Period Starting Year + 4 30 Jun 17
61	Capacity growth		48,365	64,863	40,175	15,667	27,515
62	Asset replacement and renewal		17,219	17,910	16,205	21,226	20,605
63	Total forecast capital expenditure		65,584	82,773	56,379	36,893	48,120
64							
65	Corporate overheads		24,466	23,577	21,199	21,239	21,860
66	Asset management and airport operations		22,000	23,064	23,948	25,261	26,558
67	Asset maintenance		30,903	32,535	34,408	36,411	38,324
68	Total forecast operational expenditure		77,369	79,176	79,555	82,911	86,742

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

87

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref Version 3.0

($000)

	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*
Airfield	–	119,639	–	119,639
Passenger Services Charge	174,323	–	–	174,323
0				–
0				–
Lease, rental and concession income	16,271	511	12,493	29,275
Other operating revenue	956	768	1,252	2,976
Net operating revenue	191,550	120,918	13,744	326,213
Gains / (losses) on asset sales	(788)	(1,150)	(444)	(2,383)
Other income				–
Total regulatory income	190,762	119,768	13,300	323,830
Total operational expenditure	73,716	28,848	3,596	106,161
Regulatory depreciation	27,338	15,664	1,399	44,401
Total revaluations	–	–	981	981
Regulatory tax allowance	24,942	20,232	2,281	47,455
Regulatory profit/ loss	64,766	55,024	7,005	126,794
Regulatory investment value	442,027	646,730	62,269	1,151,026

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

Commentary on Segmented Information

Refer to Disclosure Commentary Note 7.

Regulated Airport For Year Ended: **Auckland International Airport Limited** — **30 June 2017**

SCHEDULE 8: CONSOLIDATION STATEMENT

ref Version 3.0

8a: CONSOLIDATION STATEMENT

	Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business– GAAP	Unregulated Activities– GAAP	($000) Airport Company– GAAP
Net income	323,830	2,387	326,217	300,802	627,019
Total operational expenditure	106,161	–	106,161	50,127	156,288
Operating surplus / (deficit) before interest, depreciation, revaluations and tax	217,669	2,387	220,056	250,675	470,731
Depreciation	44,401	14,877	59,278	18,621	77,899
Revaluations	981	(981)	–	91,939	91,939
Tax expense	47,455	(2,404)	45,051	77,508	122,559
Net operating surplus / (deficit) before interest	126,794	(11,067)	115,727	246,485	362,212
Property plant and equipment	1,187,257	1,338,411	2,525,668	2,422,132	4,947,800

8b: NOTES TO CONSOLIDATION STATEMENT

8b(i): REGULATORY / GAAP ADJUSTMENTS

($000)

Description of Regulatory / GAAP Adjustment	Affected Line Item	Regulatory / GAAP Adjustments *
The depreciation is $14.877m higher under GAAP due to: 1) Depreciation starting immediately under GAAP, but the year following commissioning for ID. 2) Differing valuation methodologies between regulatory and GAAP reporting.	Depreciation	14,877
The difference in revaluations between regulatory and GAAP is due to the different valuation approaches used as described in the accompanying commentary document.	Revaluations	(981)
The regulatory/GAAP adjustment of $2.404m relates to deferred tax "income" of $5.080m that is recognised in Airport Business GAAP, offset by the tax effect of $2.008m in relation to the notional interest deduction, which is not claimed in the the GAAP tax calculation and the tax effect $0.668m due to differences between the GAAP gain on disposal of assets and the regulatory loss on disposal of assets.	Tax expense	(2,404)
The Airport Business - GAAP PP&E is $1,338,411m higher because: 1) the GAAP asset valuations have resulted in higher values than the regulatory valuations. Further information on valuations is in the accompanying commentary document. Note - no valuations in FY17. 2) Future Use assets are excluded from "Airport Businesses" but included in "Airport Businesses - GAAP".	Property plant & equipment	1,338,411
	[Select one]	
	[Select one]	
	[Select one]	

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

Commentary on the Consolidation Statement

Refer to Disclosure Commentary Note 8.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS

ref Version 3.0

9a: Asset Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Land						
Directly attributable assets	136	284,113	25,905	310,154		310,154
Assets not directly attributable	19,190	5,028	511	24,729	9,754	34,483
Total value land				334,883		
Sealed Surfaces						
Directly attributable assets	–	252,519	–	252,519		252,519
Assets not directly attributable	–	–	–	–	–	–
Total value sealed surfaces				252,519		
Infrastructure and Buildings						
Directly attributable assets	80,980	62,103	31,093	174,175		174,175
Assets not directly attributable	345,337	42,910	4,201	392,447	188,301	580,748
Total value infrastructure and buildings				566,623		
Vehicles, Plant and Equipment						
Directly attributable assets	6,828	9,024	129	15,981		15,981
Assets not directly attributable	11,324	5,504	423	17,252	6,330	23,581
Total value vehicles, plant and equipment				33,232		
Total directly attributable assets	87,944	607,758	57,127	752,829		752,829
Total assets not directly attributable	375,851	53,441	5,135	434,428	204,385	638,813
Total assets	463,795	661,200	62,262	1,187,257	204,385	1,391,642

Asset Allocators

Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
Buildings & Infrastructure, Vehicles, Plant & Equipment	ITB (sub)spaces	Proxy Cost Allocator	Assets that service the ITB are allocated based on relevant terminal areas. Relevant spaces include overall space, forecourt, Pier B, expanded arrivals, 1st floor redevelopment (fixed) and the residual 'core' which includes Pier A.	Primarily Buildings, Infrastructure and Plant & Equipment within the terminals. As part of the rationalization of allocators, those roads which cannot be directly attributed use the forecourt and overall space allocations.
Buildings & Infrastructure, Vehicles, Plant & Equipment	DTB (sub)spaces	Proxy Cost Allocator	Assets that service the DTB are allocated based on relevant terminal areas. DTB spaces include overall space and forecourt.	Primarily Buildings, Infrastructure and Plant & Equipment within the terminals. As part of the rationalization of allocators, those roads which cannot be directly attributed use the forecourt and overall space allocations.
Buildings & Infrastructure, Vehicles, Plant & Equipment, Land	Company wide rule	Proxy Cost Allocator	True overheads. No clear way to allocate assets. Use transparent method based on largest shared asset (overall ITB space).	Primarily IT network infrastructure (end point assets allocated based on end point user) and head office assets (non-leased Quad 5 assets). Second order are Plant & Equipment assets within the terminals which are not space specifc
Infrastructure:	Charged Usage	Causal Relationship	(Notional) Charged Usage are based on meter readings which directly relate to utilisation of the assets. In the case of internal usage, a notional charge is calculated based on tariff rates and measured usage.	Utility distribution networks (end point assets allocated based on end point user) including electricity, potable & waste water and gas.
Infrastructure:	Space	Causal Relationship	Rain water not absorbed into the ground enters the storm water network. An assessment of land covered by sealed surfaces by the land's usage reasonably estimates utilisation of the storm water assets	Stormwater distribution network (end point assets allocated based on end point user)
Land:	Space	Causal Relationship	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

36	Buildings & Infrastructure, Vehicles, Plant & Equipment	FTE Analysis	Causal Relationship	Staff time directly impacts the utilisation of the asset.	Primarily relates to the Operational Centre assets within the ITB.
37	Buildings & Infrastructure, Vehicles, Plant & Equipment, Land	Internal R&M Analysis	Causal Relationship	Assets allocated based on corresponding allocated opex. Allocation of (repairs and maintenance) opex is determined at a business unit level (directly or using the above allocators).	Assets relating to Engineering Support Services business unit whose staff are responsible for repairs and maintenance
38			[Select one]		
39			[Select one]		
40			[Select one]		
41					

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref Version 3.0

48 **Asset Allocators (cont)**

49 Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
50		[Select one]		
51		[Select one]		

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

53

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref Version 3.0

60 **9b: Notes to the Report**

61 **9b(i): Changes in Asset Allocators**

ref				CY-1	Current Year (CY)	CY+1
62						($000)
63					Effect of Change	
64				30 Jun 16	30 Jun 17	30 Jun 18
65	Asset category					
66	Original allocator or components		Original			
67	New allocator or components		New			
68	Rationale		Difference	–	–	–
69						
70	Asset category					
71	Original allocator or components		Original			
72	New allocator or components		New			
73	Rationale		Difference	–	–	–
74						
75	Asset category					
76	Original allocator or components		Original			
77	New allocator or components		New			
78	Rationale		Difference	–	–	–
79						
80	Asset category					
81	Original allocator or components		Original			
82	New allocator or components		New			
83	Rationale		Difference	–	–	–
84						
85	Asset category					
86	Original allocator or components		Original			
87	New allocator or components		New			
88	Rationale		Difference	–	–	–
89						
90	Asset category					
91	Original allocator or components		Original			
92	New allocator or components		New			
93	Rationale		Difference	–	–	–
94						
95	Asset category					
96	Original allocator or components		Original			
97	New allocator or components		New			
98	Rationale		Difference	–	–	–

99 **Commentary on Asset Allocations**

100 Refer to Disclosure Commentary Note 9.

101

102

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 10: REPORT ON COST ALLOCATIONS

ref Version 3.0

10a: Cost Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Corporate Overheads						
Directly attributable operating costs	1	–	–	1		1
Costs not directly attributable	22,057	13,941	835	36,834	13,506	50,340
Asset Management and Airport Operations						
Directly attributable operating costs	8,464	3,438	612	12,514		12,514
Costs not directly attributable	8,393	5,049	1,178	14,620	19,478	34,099
Asset Maintenance						
Directly attributable operating costs	28,967	3,212	667	32,845		32,845
Costs not directly attributable	5,835	3,209	304	9,348	17,142	26,491
Total directly attributable costs	37,431	6,649	1,279	45,359		45,359
Total costs not directly attributable	36,285	22,199	2,318	60,802	50,127	110,929
Total operating costs	73,716	28,848	3,596	106,161	50,127	156,289

Cost Allocators

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

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

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref Version 3.0

Cost Allocators (cont)

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

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

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

94

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2017**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref Version 3.0

101 **10b: Notes to the Report**

102 **10b(i): Changes in Cost Allocators**

ref				CY-1	Current Year (CY)	CY+1
103						**($000)**
104					**Effect of Change**	
105				**CY-1**	**Current Year (CY)**	**CY+1**
106	Operating cost category			**30 Jun 16**	**30 Jun 17**	**30 Jun 18**
107	Original allocator or components		Original			
108	New allocator or components		New			
109	Rationale		Difference	–	–	–
110						
111	Operating cost category					
112	Original allocator or components		Original			
113	New allocator or components		New			
114	Rationale		Difference	–	–	–
115						
116	Operating cost category					
117	Original allocator or components		Original			
118	New allocator or components		New			
119	Rationale		Difference	–	–	–
120						
121	Operating cost category					
122	Original allocator or components		Original			
123	New allocator or components		New			
124	Rationale		Difference	–	–	–
125						
126	Operating cost category					
127	Original allocator or components		Original			
128	New allocator or components		New			
129	Rationale		Difference	–	–	–
130						
131	Operating cost category					
132	Original allocator or components		Original			
133	New allocator or components		New			
134	Rationale		Difference	–	–	–
135						
136	Operating cost category					
137	Original allocator or components		Original			
138	New allocator or components		New			
139	Rationale		Difference	–	–	–

140 **Commentary on Cost Allocations**

141 Refer to Disclosure Commentary Note 10.

142

143

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES

ref Version 3.0

ref		Number	Total Duration Hours	Total Duration Minutes
6	**Runway**			
7	The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8	Airports	3	–	50
9	Airlines/Other	–	–	–
10	Undetermined reasons	–	–	–
11	Total	3	–	50
12	**Taxiway**			
13	The number and duration of interruptions to taxiway(s) during disclosure year by party primarily responsible			
14	Airports	–	–	–
15	Airlines/Other	–	–	–
16	Undetermined reasons	–	–	–
17	Total	–	–	–
18	**Remote stands and means of embarkation/disembarkation**			
19	The number and duration of interruptions to remote stands and means of embarkation/disembarkation during disclosure year by party primarily responsible			
20	Airports	–	–	–
21	Airlines/Other	–	–	–
22	Undetermined reasons	–	–	–
23	Total	–	–	–
24	**Contact stands and airbridges**			
25	The number and duration of interruptions to contact stands during disclosure year by party primarily responsible			
26	Airports	46	150	36
27	Airlines/Other	21	15	57
28	Undetermined reasons	–	–	–
29	Total	67	166	33
30	**Baggage sortation system on departures**			
31	The number and duration of interruptions to baggage sortation system on departures during disclosure year by party primarily responsible			
32	Airports	8	15	07
33	Airlines/Other	2	1	40
34	Undetermined reasons	–	–	–
35	Total	10	16	47
36	**Baggage reclaim belts**			
37	The number and duration of interruptions to baggage reclaim belts during disclosure year by party primarily responsible			
38	Airports	–	–	–
39	Airlines/Other	–	–	–
40	Undetermined reasons	–	–	–
41	Total	–	–	–
42	**On-time departure delay**			
43	The total number of flights affected by on time departure delay and the total duration of the delay during disclosure year by party primarily responsible			
44	Airports	49	23	30
45	Airlines/Other	10	6	12
46	Undetermined reasons	–	–	–
47	Total	59	29	42
48				

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

ref | Version 3.0

Fixed electrical ground power availability (if applicable)

The percentage of time that FEGP is unavailable due to interruptions*	0.94%

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

Commentary concerning reliability measures

Refer to Disclosure Commentary Note 11.

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

Regulated Airport: **Auckland International Airport Limited**
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SCHEDULE 12: REPORT ON CAPACITY UTILISATION INDICATORS FOR AIRCRAFT AND FREIGHT ACTIVITIES AND AIRFIELD ACTIVITIES

ref Version 3.0

Runway

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

Taxiway

		Taxiway #1	Taxiway #2	Taxiway #3	Taxiway #4
Description of main taxiway(s)	Name	Alpha	Bravo	Delta	Lima
	Length (m)	3,220	2,587	370	673
	Width (m)	45	24	23	25
	Status	Full length	Part length	Part length	Part length
	Number of links	11	10	4	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	14	4	28
	Domestic jet	9	2	–
	Domestic turboprop	–	13	6
Total parking stands		23	19	34

Busy periods for runway movements

	Date
Runway busy day	23 March 2017
Runway busy hour start time (day/month/year hour)	16 Jun 2017 7 a.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	129	–	13	142
	Domestic jet	149	6	2	157
	Domestic turboprop	–	209	13	222
	Total	278	215	28	521
Other (including General Aviation)					8
Total aircraft movements during the runway busy day					529

Number of aircraft runway movements during the runway busy hour: 42

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

Refer to Disclosure Commentary Note 12.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

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

ref Version 3.0

ref	Outbound (Departing) Passengers	International terminal	Domestic terminal	Common area †
7	**Landside circulation (outbound)**			
8	Passenger busy hour for landside circulation (outbound)—start time			
9	(day/month/year hour)	26 Mar 2017 9 a.m.	11 Dec 2016 5 p.m.	N/A
10	Floor space (m^2)	3,842	1,672	N/A
11	Passenger throughput during the passenger busy hour (passengers/hour)	1,979	1,545	N/A
12	Utilisation (busy hour passengers per $100m^2$)	52	92	N/A
13	**Check-in**			
14	Passenger busy hour for check-in—start time (day/month/year hour)	26 Mar 2017 9 a.m.	11 Dec 2016 5 p.m.	N/A
15	Floor space (m^2)	4,091	841	N/A
16	Passenger throughput during the passenger busy hour (passengers/hour)	1,979	1,545	N/A
17	Utilisation (busy hour passengers per $100m^2$)	48	184	N/A
18	**Baggage (outbound)**			
19	Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	26 Mar 2017 9 a.m.	11 Dec 2016 5 p.m.	N/A
20	Make-up area floor space (m^2)	8,456	3,260	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)*	1,969	1,190	N/A
23	Passenger throughput during the passenger busy hour (passengers/hour)	1,979	1,545	N/A
24	Utilisation (% of processing capacity)	64%	59%	N/A
25	* Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.			
26	**Passport control (outbound)**			
27	Passenger busy hour for passport control (outbound)—start time			
28	(day/month/year hour)	26 Mar 2017 9 a.m.		
29	Floor space (m^2)	891		
30	Number of emigration booths and kiosks	19		
31	Notional capacity during the passenger busy hour (passengers/hour) *	2,496		
32	Passenger throughput during the passenger busy hour (passengers/hour)	1,979		
33	Utilisation (busy hour passengers per $100m^2$)	222		
34	Utilisation (% of processing capacity)	79%		
35	* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
36	**Security screening**			
37	Passenger busy hour for security screening—start time (day/month/year hour)	26 Mar 2017 9 a.m.	23 Feb 2017 7 a.m.	
38	Facilities for passengers excluding international transit & transfer			
39	Floor space (m^2)	363	552	
40	Number of screening points	7	5	
41	Notional capacity during the passenger busy hour (passengers/hour) *	1,890	1,350	
42	Passenger throughput during the passenger busy hour (passengers/hour)	1,979	1,191	
43	Utilisation (busy hour passengers per $100m^2$)	546	216	
44	Utilisation (% of processing capacity)	105%	88%	
45	Facilities for international transit & transfer passengers			
46	Floor space (m^2)	204		
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			
50	(passengers/hour)	11		
51	Utilisation (busy hour passengers per $100m^2$)	5		
52	Utilisation (% of processing capacity)	2%		
53	* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			

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

ref Version 3.0

ref		International terminal	Domestic terminal	Common area †
61				
62	**Airside circulation (outbound)**			
63	Passenger busy hour for airside circulation (outbound)—start time			
64	(day/month/year hour)	26 Mar 2017 9 a.m.	11 Dec 2016 5 p.m.	
65	Floor space (m²)	7,706	2,273	
66	Passenger throughput during the passenger busy hour (passengers/hour)	1,990	1,545	
67	Utilisation (busy hour passengers per 100m²)	26	68	
68	**Departure lounges**			
69	Passenger busy hour for departure lounges—start time (day/month/year hour)	26 Mar 2017 9 a.m.	11 Dec 2016 5 p.m.	
70	Floor space (m²)	7,249	2,922	
71	Number of seats	2,893	963	
72	Passenger throughput during the passenger busy hour (passengers/hour)	1,990	1,545	
73	Utilisation (busy hour passengers per 100m²)	27	53	
74	Utilisation (passengers per seat)	0.7	1.6	
75	**Inbound (Arriving) Passengers**			
76	**Airside circulation (inbound)**			
77	Passenger busy hour for airside circulation (inbound)—start time			
78	(day/month/year hour)	18 Dec 2016 4 p.m.	4 Nov 2016 6 p.m.	N/A
79	Floor space (m²)	9,918	2,298	N/A
80	Passenger throughput during the passenger busy hour (passengers/hour)	2,118	1,512	N/A
81	Utilisation (busy hour passengers per 100m²)	21	66	N/A
82	**Passport control (inbound)**			
83	Passenger busy hour for passport control (inbound)—start time			
84	(day/month/year hour)	18 Dec 2016 4 p.m.		
85	Floor space (m²)	1,656		
86	Number of immigration booths and kiosks	47		
87	Notional capacity during the passenger busy hour (passengers/hour) *	4,748		
88	Passenger throughput during the passenger busy hour (passengers/hour)	1,909		
89	Utilisation (busy hour passengers per 100m²)	115		
90	Utilisation (% of processing capacity)	40%		
91	* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
92	**Landside circulation (inbound)**			
93	Passenger busy hour for landside circulation (inbound)—start time			
94	(day/month/year hour)	18 Dec 2016 4 p.m.	4 Nov 2016 6 p.m.	N/A
95	Floor space (m²)	1,494	1,672	N/A
96	Passenger throughput during the passenger busy hour (passengers/hour)	1,909	1,512	N/A
97	Utilisation (busy hour passengers per 100m²)	128	90	N/A
98	**Baggage reclaim**			
99	Passenger busy hour for baggage reclaim—start time (day/month/year hour)	18 Dec 2016 4 p.m.	4 Nov 2016 6 p.m.	
100	Floor space (m²)	6,144	1,081	
101	Number of reclaim units	6	2	
102	Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	2,241	938	
103	Bags processed during the passenger busy hour (bags/hour)*	1,838	1,164	
104	Passenger throughput during the passenger busy hour (passengers/hour)	1,909	1,512	
105	Utilisation (% of processing capacity)	82%	124%	
106	Utilisation (busy hour passengers per 100m²)	31	140	
107	* Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.			
108	**Bio-security screening and inspection and customs secondary inspection**			
109	Passenger busy hour for bio-security screening and inspection and			
110	customs secondary inspection—start time (day/month/year hour)	18 Dec 2016 4 p.m.		
111	Floor space (m²)	2,634		
112	Notional MAF secondary screening capacity during the passenger busy hour	2,145		
113	(passengers/hour)*			
114	Passenger throughput during the passenger busy hour (passengers/hour)	1,909		
115	Utilisation (% of processing capacity)	89%		
116	Utilisation (busy hour passengers per 100m²)	72		
117	* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
118	**Arrivals concourse**			
119	Passenger busy hour for arrivals concourse—start time (day/month/year hour)	18 Dec 2016 4 p.m.	4 Nov 2016 6 p.m.	N/A
120	Floor space (m²)	1,629	260	N/A
121	Passenger throughput during the passenger busy hour (passengers/hour)	1,909	1,512	N/A
122	Utilisation (busy hour passengers per 100m²)	117	581	N/A

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

ref Version 3.0

		International terminal	Domestic terminal	Common area †
131	**Total terminal functional areas providing facilities and service directly for passengers**			
132	Floor space (m^2)	56,279	14,559	N/A
133	Number of working baggage trolleys available for passenger use			
134	at end of disclosure year	3,600	310	N/A

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

136 Refer to Disclosure Commentary Note 13.

137

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

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

140

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SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

ref | Version 3.0

Survey organisation

Survey organisation used	ACI
If "Other", please specify	

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

Domestic terminal	Quarter	1	2	3	4	Annual
	for year ended	30 Sep 16	31 Dec 16	31 Mar 17	30 Jun 17	average
Ease of finding your way through an airport		4.1	4.1	4.1	4.1	4.1
Ease of making connections with other flights		4.0	3.8	3.9	4.1	3.9
Flight information display screens		4.3	4.2	4.2	4.2	4.2
Walking distance within and/or between terminals		4.0	4.0	4.1	4.0	4.0
Availability of baggage carts/trolleys		4.1	4.1	4.2	4.2	4.2
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.3	4.2	4.2	4.2
Availability of washrooms/toilets		4.0	4.2	4.0	4.0	4.1
Cleanliness of washrooms/toilets		4.0	4.1	3.9	3.9	3.9
Comfort of waiting/gate areas		3.7	3.8	3.7	3.6	3.7
Cleanliness of airport terminal		4.2	4.2	4.1	4.1	4.1
Ambience of the airport		3.9	3.9	3.8	3.7	3.8
Security inspection waiting time		4.1	4.3	4.2	4.2	4.2
Check-in waiting time		4.2	4.2	4.2	4.2	4.2
Feeling of being safe and secure		4.4	4.4	4.3	4.4	4.4
Average survey score		4.1	4.1	4.1	4.1	4.1

International terminal	Quarter	1	2	3	4	Annual
	for year ended	30 Sep 16	31 Dec 16	31 Mar 17	30 Jun 17	average
Ease of finding your way through an airport		4.1	4.2	4.2	4.2	4.2
Ease of making connections with other flights		4.0	4.2	3.9	4.2	4.1
Flight information display screens		4.1	4.1	4.0	4.2	4.1
Walking distance within and/or between terminals		4.0	4.0	3.9	4.1	4.0
Availability of baggage carts/trolleys		4.1	4.2	4.1	4.1	4.2
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.3	4.3	4.3	4.3	4.3
Availability of washrooms/toilets		4.2	4.1	4.1	4.1	4.1
Cleanliness of washrooms/toilets		4.2	4.1	4.1	4.1	4.1
Comfort of waiting/gate areas		4.0	4.1	4.0	4.0	4.0
Cleanliness of airport terminal		4.3	4.3	4.4	4.3	4.3
Ambience of the airport		4.1	4.2	4.1	4.1	4.1
Passport and visa inspection waiting time		4.3	4.4	4.3	4.3	4.3
Security inspection waiting time		4.2	4.3	4.3	4.2	4.2
Check-in waiting time		4.0	4.2	4.1	4.0	4.1
Feeling of being safe and secure		4.4	4.5	4.4	4.5	4.4
Average survey score		4.1	4.2	4.2	4.2	4.2

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

Commentary concerning report on passenger satisfaction indicators

Refer to Disclosure Commentary Note 14.

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

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2017**

SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref Version 3.0

Disclosure of the operational improvement process

Refer to Disclosure Commentary Note 15.

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

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref Version 3.0

16a: Aircraft statistics

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

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Boeing - B787-9 Dreamliner	4,301	1,049,306
Airbus Industrie - A-380-800	1,484	848,128
Boeing - B777-200	2,844	839,727
Boeing - B777-300ER	2,065	723,483
Airbus Industrie - A-330-300	2,519	591,059
Boeing - B737-800	6,381	503,564
Airbus Industrie - A-320	4,827	368,631
Boeing - B767-300ER	777	145,206
Boeing - B777-300	283	98,441
Airbus Industrie - A-340-300	276	76,080
Airbus Industrie - A-350-900	256	70,560
Boeing - B747-800	128	57,305
Boeing - B737-200	188	13,170
Airbus Industrie - A-321	30	2,805
Boeing - 747-4F	5	1,981
Boeing - B737-300	9	752
Boeing - B747-400	1	413
Bombardier - BD-700 Global Express	9	395
Ilyushin - Ilyushin Il-76	2	390
Airbus Industrie - A-340-500	1	380
McDonnell Douglas - MD-11	1	286
Gulfstream Aerospace - G-4	6	203
Bombardier Aerospace -various	10	93
Boeing	1	86
Gulfstream Aerospace - G-5	2	82
Airbus Industrie - A-319	1	76
Boeing - B737-400	1	65
De Havilland Canada - Dash 8 Q300	3	59
Dassault - Falcon 20	4	56
Dassault - Falcon 7X	1	31
Canadair - CL-600 Challenger 600	1	20
Fokker - F27	1	19
Embraer - ERJ-135	1	19
Dassault - Falcon 50	1	18
Cessna - 525B Citation CJ3	1	10
Cessna - 525 Citation CJ4	1	8
Cessna - 525 Citation CJ4	1	8
Beechcraft - 350 Super King Air	1	6
Partenavia - P-68 Observer	1	5
Piper - Cheyenne 400 (twin-turboprop	1	5
Pilatus - PC-12 Eagle	1	5
Total	26,427	5,392,931

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref Version 3.0

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

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Airbus Industrie - A-320	21,818	1,561,203
Boeing - B737-400	930	60,113
Boeing - B777-200	8	2,332
Boeing - B737-800	25	1,974
Boeing - B787-9 Dreamliner	5	1,208
Rockwell - Aero Commander 500	16	1,034
Airbus Industrie - A-380-800	1	569
Boeing - B767-300ER	3	533
Boeing - B737-200	5	334
Bombardier - BD-700 Global Express	3	130
Boeing - B737-300	1	63
Airbus Industrie - A-319	1	61
Canadair - CL-600 Challenger 600	1	44
Gulfstream Aerospace - G-5	1	41
Gulfstream Aerospace - G-4	1	34
Grumman - G-4	1	33
Total	22,820	1,629,705

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
De Havilland Canada - Dash 8 Q300	17,420	339,765
Aerospatiale/Alenia - ATR-72-500	9,415	214,536
Fairchild - SW-4B	1,177	8,572
SAAB - Saab 340	627	7,963
Convair - CV-580 Convair	297	7,169
Cessna - 208 Grand Caravan	1,538	6,105
Beechcraft - 300 Super King Air	298	2,028
Fokker - F-27 Friendship	78	1,474
Beechcraft - 200 Super King Air	212	1,207
British Aerospace - Jetstream 32	97	713
Beechcraft - 90 King Air	133	620
Cessna - 560 Citation 5 Ultra	72	559
Cessna - 510 Citation Mustang	82	322
McDonnell Douglas - DC-3 Dakota	22	268
Piper - PA-31	37	127
Beechcraft - 350 Super King Air	16	118
Beechcraft - B200 Super King Air	16	91
Cessna - 421 Golden Eagle	21	76
Cessna - 441 Conquest 2	16	71
Pilatus - PC-12 Eagle	13	59
Cessna - Caravan 208	12	48

117	Canadair - CL-600 Challenger 600	2	43
118	Cessna - 206 Stationair	12	41
119	Beechcraft - B-1900	3	23
120	Embraer - ERJ-135	1	19
121	Partenavia - P-68 Observer	2	10
122	Aero Commander - Turbo Commander 690	2	9
123	Aerospatiale - AS-350B	2	6
124			
125			
126			
127			
128	Total	31,623	592,042

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 2)

ref Version 3.0

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

	Total number of landings	Total MCTOW (tonnes)
Air passenger service aircraft less than 3 tonnes MCTOW	2,213	6,476
Freight aircraft	843	205,104
Military and diplomatic aircraft	39	3,977
Other aircraft (including General Aviation)	833	17,862

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

	Total number of landings	Total MCTOW (tonnes)
Total	84,798	7,848,097

16b: Terminal access

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

	Contact stand–airbridge	Contact stand–walking	Remote stand—bus	Total
International air passenger service movements	43,953	–	10,642	54,595
Domestic jet air passenger service movements	44,702	1,745	14	46,461

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

16c: Passenger statistics

	Domestic	International	Total
The total number of passengers during disclosure year			
Inbound passengers†	4,349,038	5,244,259	9,593,297
Outbound passengers†	4,252,803	5,174,473	9,427,276
Total (gross figure)	8,601,841	10,418,732	19,020,573
less estimated number of transfer and transit passengers		675,752	675,752
Total (net figure)			18,344,821

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

16d: Airline statistics

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

Domestic	International
Air New Zealand	Air Caledonie International
Jetstar Airways	Air China
Air Nelson	Air New Zealand
Mount Cook Airlines	Air Tahiti Nui
Barrier Air	Air Vanuatu
Air Chathams	AirAsia X
Fly My Sky	American Airlines
	Cathay Pacific Airways
	China Airlines
	China Eastern Airlines
	China Southern Airlines
	Emirates Airlines
	Fiji Airways
	Hawaiian Airlines
	Jetstar Airways
	Korean Air Lines
	LATAM
	Malaysian Airline System
	Philippine Airlines
	Qantas Airways

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2017**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)

ref Version 3.0

Airline statistics (cont)

Domestic	International
	Singapore Airlines
	Thai Airways International
	Virgin Australia Airlines
	United Airlines
	Hong Kong Airlines
	Tianjin Airlines
	Hainan Airlines
	Qatar Airways
	Sichuan Airlines
	Norfolk Island Airlines

16e: Human Resource Statistics

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
Number of full-time equivalent employees	216	116	5	337.1
Human resource costs ($000)				39,710

Commentary concerning the report on associated statistics

Refer to Disclosure Commentary Note 16.

Regulated Airport: Auckland International Airport Limited
For Year Ended: 30 June 2017

SCHEDULE 17: REPORT ON PRICING STATISTICS

ref Version 3.0

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	5,806
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	25,896
Net operating charges from airfield activities relating to international flights	88,146
Net operating charges from specified passenger terminal activities relating to domestic passengers	19,480
Net operating charges from specified passenger terminal activities relating to international passengers	169,983

	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	2,382,908
Number of domestic passengers on flights of 30 tonnes MCTOW or more	6,204,364
Number of international passengers	**10,418,732**

	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	595,815
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,636,281
Total MCTOW of international flights	5,609,244

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	9.74
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	4.17	15.83
Average charge from airfield activities relating to international flights	8.46	15.71

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from specified passenger terminal activities	2.27	16.32

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from airfield activities and specified passenger terminal activities	5.96	24.78

Commentary on Pricing Statistics

Refer to Disclosure Commentary Note 17.

Auckland Airport

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

20 November 2017

Deloitte.

Independent Auditor's Report

To the Board of Directors of Auckland International Airport Limited

Opinion

We have audited the attached Specified Airport Services Information Disclosure Schedules comprised of Schedules 1 through to 17 (the Schedules) of Auckland International Airport Limited for the year ended 30 June 2017.

In our opinion;

- Subject to Clause 2.6(3) of the Determination 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 2017 complies, in all material respects, with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010 (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; and
- 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.

Basis for opinion

In relation to the historical financial information set out in Schedules 1 through to 10 (the Historical Financial Schedules), we conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)').

In relation to the historical non-financial information set out in Schedules 11 through to 17 (the Historical Non-Financial Schedules), we conducted our audit in accordance with the Standard on Assurance Engagements (New Zealand) 3100: *Compliance Engagements* (SAE (NZ) 3100).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedules* section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Directors' responsibilities for the Schedules

The directors are responsible on behalf of the Company for the preparation and presentation of the Schedules for the year ended 30 June 2017 in accordance with the Determination, and for such internal control as the 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 responsibilities for the audit of the Schedules

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 Schedules, our objective is to provide reasonable assurance that the disclosures for the year ended 30 June 2017 have been prepared, in all material respects, in accordance with the Determination. We 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 Schedules, our objective is to provide reasonable assurance that the disclosures for the year ended 30 June 2017 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Schedules.

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+4 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 to 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 2018 provided by management; and
- Agreeing the Effect of Changes in Cost Allocators CY+1 column in Schedule 10 to the price setting event disclosure published on 1 August 2017 (Schedule 18).

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.

Inherent limitations

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

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

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

Restriction on use

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

Deloitte Limited

Chartered Accountants
20 November 2017
Auckland, New Zealand

This assurance report relates to the Specified Airport Services Information Disclosure Schedules (the Schedules) of Auckland International Airport Limited (the 'Company') for the year ended 30 June 2017 included on the Company's website. 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 Schedules since they were initially presented on the website. The assurance report refers only to the Schedules named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these 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 Schedules and related assurance report dated 20 November 2017 to confirm the information included in the Schedules presented on this website.