Annual Information Disclosure

Regulatory Performance Summary
For the year ended 30 June 2020

Auckland Airport

Chief Executive's Report

Adrian Littlewood
Chief Executive

Nau mai and welcome

This is Auckland Airport's third annual disclosure relating to the five-year pricing period from 1 July 2017 to 30 June 2022 (PSE3). Whilst FY20 got off to an auspicious start, the last four months were the most challenging of Auckland Airport's 54-year history. The world is in the grip of a global pandemic and the extremely difficult aviation and tourism operating conditions we have seen over the past six months are far from over. Since COVID-19, aeronautical traffic and revenues have fallen dramatically, creating losses and cashflow challenges for both airlines and airports. As New Zealand's primary international gateway, Auckland Airport has been significantly affected, particularly due to its strong reliance on international traffic.

During this time of crisis we have worked quickly to ensure the company's short-term viability, with our sights set firmly on the future recovery. The long-term fundamentals of our business remain strong and we have taken steps to ensure we remain resilient and well positioned for the eventual recovery, accelerating into growth safely as demand for international travel returns.

In the short-term we continue to face significant uncertainty regarding the shape and timing of the recovery. Our financial performance is strongly linked to international arrivals and departures, and while there is no doubt international travel will recover, there is not yet any consensus over how and when this will unfold.

We remain confident that trade will continue to flow between New Zealand and the world and once conditions allow for tourism to recover, our country remains an extremely attractive place to visit.

Our COVID-19 response has focused on what's most important in the immediate term: the health and safety of our people, workers and visitors to the airport precinct; maintaining New Zealand's essential air connectivity to the world and to our regions through domestic travel; ensuring we continue to deliver a quality service to our customers; and maintaining financial viability while passenger flows are extremely low. Safety and security have always been at the heart of our operation. Throughout this time of crisis our people, especially those on the frontline, have worked tirelessly to keep everyone safe and to protect New Zealand from the spread of COVID-19. The strength of our relationships with border agencies, airlines and airport partners has served us well, allowing us to collaborate and implement changes, often at very short notice.

The pandemic left Kiwis stranded overseas and foreign visitors unable to return home from New Zealand. Our team played a leading role in supporting 115 successful repatriation flights to and from New Zealand, transporting more than 22,700 people home across the globe from February to the end of July. We have also maintained our close relationships with airlines to keep trade links alive, ensuring the uninterrupted flow of critical cargo supplies and the export of high-value Kiwi goods.

Just as we took steps to support trade and repatriation flights, we moved decisively to secure the future of our organisation as the pandemic impacted our business:

- In April, shareholders strongly supported us in the successful $1.2 billion equity raise, reinforcing our balance sheet and ensuring we remain well capitalised during this period of uncertainty and are positioned well for a post-COVID-19 recovery.
- We secured significant support from our lenders, including extending the maturity dates of our bank loans and confirming covenant waivers from our banking group and United States Private Placement (USPP) lenders until 31 December 2021.
- We implemented a range of measures to manage cash flow, including cancelling the interim dividend for the 2020 financial year and suspending all future dividends while the debt covenant waivers are in place.
- We reduced the remuneration of our directors and executives to 80% and lowered most other employees' hours and salaries to 80%.
- We applied strong cost control, prioritised core airport activities, and eliminated discretionary spending, without compromising spending that ensured we could continue to deliver for our customers.
- With the support of airlines we suspended or deferred infrastructure projects with a projected total completion value of more than $2 billion until we have more certainty about future demand conditions and are again able to support higher capital expenditure levels and the associated borrowings. These projects include the second runway, the Domestic Jet Hub, a multi-storey car park, Park & Ride South and the international arrivals expansion project.

The significant fall in passenger numbers, combined with the scaling back of our infrastructure development programme, meant we had to make the difficult decision to reduce the size of our workforce in line with our new operating reality. While ensuring we make no compromises on the safety and security of our operation, as at 30 June 2020 these changes had resulted in a 25% reduction in the number of permanent and contract staff with further reductions taking place in subsequent months. We recognise the pandemic has also impacted many of our business partners and other organisations operating at Auckland Airport, including those in retail, aviation and construction, with many job losses.

Airport charges were set in 2017 and were based on pre-COVID-19 forecast aeronautical volumes, with a heavy reliance on international traffic. Recognising the hardship faced by our customers we have provided temporary financial relief where we can. Unfortunately it is not commercially viable for Auckland Airport to provide yet more discounts to airlines for the small volume of flights which are occurring, nor is it viable for us to reset aeronautical prices today to offset current losses while our airlines customers are also suffering.

Despite the current challenging operating conditions, we remain focused on the path ahead, doing all we can to drive the recovery of our business and assist the industry to manage throughout the pandemic. This includes collaboration around systems and approaches for the gradual re-opening of borders and taking opportunities to advance core asset replacement, maintenance and resilience projects whilst flight movements are at an all-time low to ensure we emerge in the strongest position possible beyond COVID-19.

COVID-19 might have changed the outlook and it has certainly reset the timelines for tourism growth – but our commitment to our masterplan and vision for the future remains. We will continue to prioritise core aeronautical projects and ensure we are positioned strongly for a successful restart of the infrastructure development programme.

Overall, Auckland Airport's aeronautical performance is in line with the challenging economic conditions we currently face. In the year to 30 June 2020, regulated revenue was down 21.7% on the price setting forecast to $275.8 million and we delivered a negative aeronautical return of (0.46%). It is now highly likely that the actual aeronautical return for the full five-year period for PSE3 will only be a fraction of the original PSE3 target. Airlines have supported Auckland Airport's suspension of the very large aeronautical infrastructure programme that was underway pre-COVID-19 and we will work together with airlines and government agencies on a revised infrastructure programme that can better respond to evolving market conditions.

Auckland Airport continues to play a critical role in connecting New Zealand to the world and in the time of COVID-19 this has never been more important. We remain grateful to our community, customers, collaborative partners and investors for their ongoing support during this very challenging year. It has been a tough year for our team who have had to say goodbye to friends and colleagues and cease working on infrastructure projects that we were all proud to be delivering for New Zealand. We do not yet know the course of the pandemic, but our long-term commitment to growing New Zealand's success in travel, trade and tourism remains unchanged and we remain confident about our future.

Adrian Littlewood
Chief Executive

Investing in tourism and trade

At Auckland Airport, the effects of the pandemic were felt immediately on 11:59pm on 19th March 2020 as border restrictions came into force, people stopped travelling and airlines around the world moved quickly to scale back their services in line with the lower demand.

In the first half of FY20 our team worked with airlines to commence operations on new international routes to Vancouver and Seoul, along with the announcement of new services to New York and Dallas/Fort Worth. Since March 2020, the importance of cargo and repatriation flights came to the fore.

Whilst passenger numbers at Auckland Airport have been resilient to a number of major external shocks over the long-term, the effect of COVID-19 has been unparalleled; massively disrupting the long-term growth trajectory of tourism and trade to New Zealand and through Auckland.

Consequently, following the emergence of COVID-19 our efforts have shifted from growing tourism and trade markets, to managing risks, maintaining essential connectivity and planning for the recovery. This has included:

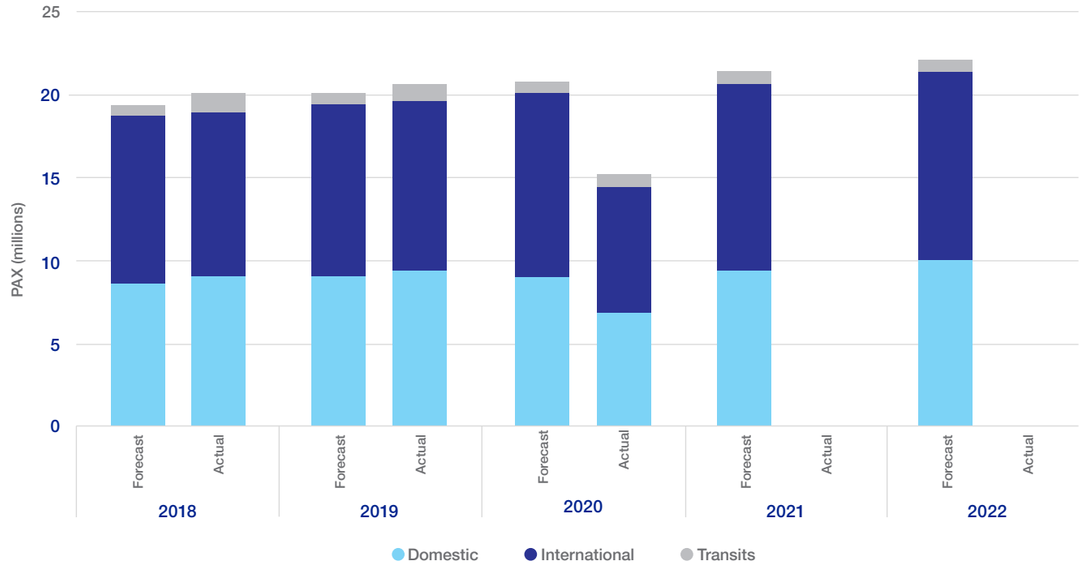
- halting all international aeronautical marketing activity while the border effectively remains closed;
- making the case to Government and airlines for the need to retain key trade links and enable cargo capacity;
- helping our customers secure aircraft parking space for grounded fleet and providing aircraft parking concessions to help them manage through COVID-19 and support one another to emerge stronger and more resilient; and
- leading a programme of work for the Safe Border Group with 40 experts – via the Australia New Zealand Leadership Forum, to develop a blueprint for the future safe reopening of quarantine-free travel between New Zealand, Australia and the Pacific Islands, when our respective governments decide it is appropriate to do.

The infographics to the right demonstrate the effect of the border closure on passenger demand. Air cargo trade has been materially more resilient to COVID-19 than international travel and tourism. The recovery scenario remains unclear. With so much uncertainty, we think it prudent at this time to adopt more conservative planning assumptions than either the International Air Travel Association (IATA) or Standard & Poor's, which are forecasting a full recovery of international travel in approximately three years. We think it could take longer, however we are hopeful that domestic travel will return to normal within two years. With Australia being our largest international market, we are also hopeful that short-haul Tasman and Pacific Island travel will resume sometime in 2021, with a full recovery of both these markets occurring well before long-haul international travel returns to normal.

We worked hard to grow New Zealand's air links to the world, and we will work just as hard alongside the industry to rebuild when there are signs for a safe recovery.

For further information on FY20 business activity levels refer to Section 16 of the Annual Disclosure Commentaries.

Passenger movements: actual vs. price setting disclosure



FY20

Carriers

29 international carriers in March to 4 in June

26.5%

In total passengers (15.5m total passengers)

Cargo

International cargo tonnes from 190,905 to 165,005

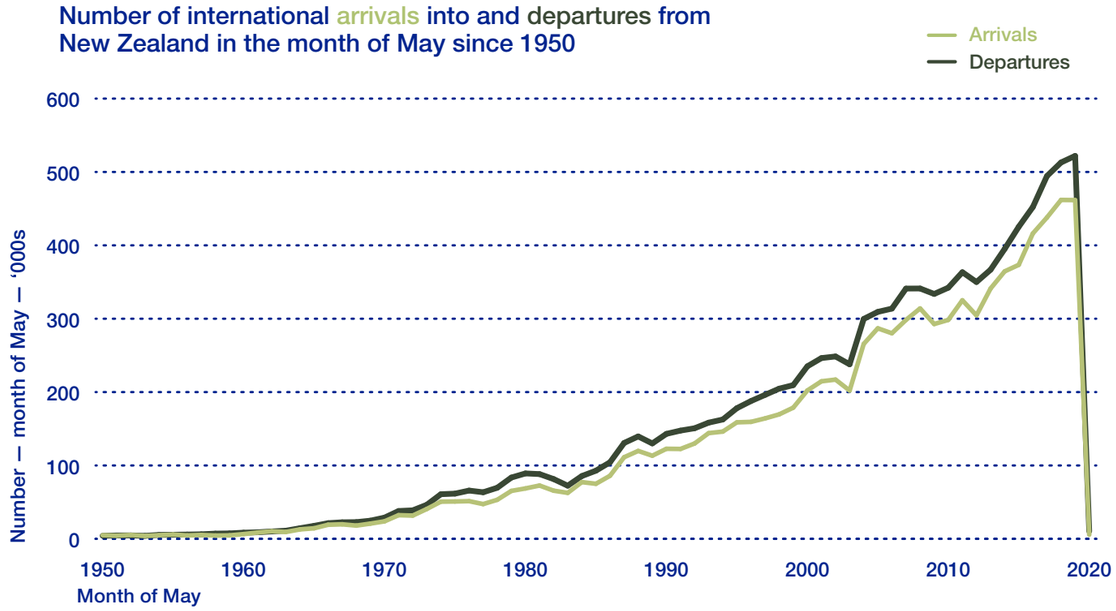
JUNE 2020 VS PCP MONTH

International pax
97%

Domestic pax
71%

International cargo
17%

Number of international arrivals into and departures from New Zealand in the month of May since 1950



Planning, building and delivering a world class airport experience

FY20 METRICS

Actual capex
$222m

Unforecast aeronautical investments unrecoverable losses
-$69.6m

Our Masterplan[1] provides a vision for the development of the airport out to 2044. Auckland Airport's goal of delivering a world class experience with consistent, reliable journeys for our travellers remains unchanged. The Masterplan is founded on the fundamental principles of being flexible, resilient, affordable and stageable.

The PSE3 programme was centred on eight anchor projects. By February 2020, four of these projects were under construction, with a further two projects having commenced enabling works. The projects that had entered the construction phase included:

- the 250,000m^2 airfield expansion (new taxiways and remote stands);
- a $100 million-plus upgrade to our core roading network;
- upgrades to the domestic terminal; and
- a $350 million-plus international arrivals area

The scope of the $1 billion-plus domestic jet facility had been agreed with airlines, the alliance delivery and construction management team had been announced and works were scheduled to start in August 2020.

We had also made further progress in the development of a second runway with the Environment Court approving design changes, including extending the planned runway length by 833m to 2,983m to accommodate predicted growth in passenger numbers and developments in aircraft technology.

The outbreak of COVID-19 led to a swift reduction in flights, passenger numbers and revenues and left the company with no option but to carry out an immediate review of the entire infrastructure programme. We needed to act prudently and take fast action, but in a way that preserved what had already been achieved.

In the short-term we prioritised continued investment in safety and resilience projects

Despite the current market challenges, we have continued to advance selected capital expenditure projects focused on essential safety, resilience and asset maintenance.

Operating in a busy environment creates construction challenges. We brought forward planned pavement replacement work on our existing runway to take advantage of the dramatic reduction in flight movements and thereby minimise the disruption to airlines and the travelling public. We worked with industry stakeholders to reach agreement on the safety case for operating a displaced threshold through virtual collaboration during the lockdown period. The $26 million replacement of 280 36m^2 concrete slabs in the eastern touchdown zone began in May and was successfully completed in August 2020.

Through the lockdown period we also completed safety compliance work on the jet-fuel pipeline network and replaced one of the original airbridges connected to Pier A in the international terminal.

Our long-term plans remain the same but, until there is more certainty, the following projects predicated on ongoing passenger growth have been deferred:

- Expanding the airfield to include a new taxiway and remote stands
- Construction of the 30,000m^2 arrivals area at the international terminal
- Planning and design for a second runway
- Delivery of a new Domestic Jet Hub and pier
- Delivery of an upgraded pedestrian plaza and forecourt connected to the international terminal

We've also deferred significant non-regulated investments such as additional car parks, including construction of the Park & Ride South facility on Puhinui Road and plans for a six-storey, 3,200-bay car park in front of the international terminal.

The immediate loss to our regulated business of responding to COVID-19 and terminating regulated projects has been $69.6m. This amount is made up of sums already spent on projects that have been abandoned, reinstatement (or "make good") costs to return construction areas to a safe operating environment to facilitate access in the interim, and contract termination payments to our construction partners.

Future development will continue to be trigger based

The impact of COVID-19 and the uncertainty around the speed and timing of the aviation industry recovery requires a full refresh of the existing infrastructure plan to reflect updated regulatory and demand triggers as well as recovery scenarios. This work is well underway and draws heavily on existing plans, infrastructure and asset information that has been built over recent years.

For further explanation of our investment progress relative to the price setting forecast refer to Section 4 for commissioned assets and Section 6 for capital expenditure of the Annual Disclosure Commentaries.

Status of projects pre-Covid19 disruption

Airfield

1. Northern runway
2. Northern stands and taxiways

Terminal

3. New cargo precinct
4. New international arrivals
5. New domestic jet facility
6. Domestic terminal works

Transport

7. Pick-up/drop-off and multi-storey car park 1
8. Northern network

Key Feasibility/Design; Enabling and Construction works

Preparation had begun for a new international arrivals area

Before the outbreak of COVID-19, a 250,000m^2 airfield expansion (above) was underway

[1] https://corporate.aucklandairport.co.nz/airport-of-the-future/our-vision

Committed to innovation and operating efficiently and effectively

Accelerated maintenance works on the 23L eastern runway touchdown zone were completed in August 2020.

We remain focussed on providing a safe, efficient and effective airport, now and into the future. Facing unprecedented challenges as COVID-19 impacted aviation and tourism, we took quick action to protect people's health and safety and keep New Zealand connected to the world.

A dynamic operation

Fast-changing border restrictions and the global disruption of the aviation industry created a challenging environment for everyone – from the travellers through to the airlines, businesses, border agencies and our own staff working at the heart of our operation.

As ever, we have strived to deliver an assured and reliable experience at a time when conditions for our travellers and our people were unpredictable, stressful and uncertain.

- In mid-March we implemented our full Crisis Management Team to guide us through the escalating risk of COVID-19 to our travellers, staff, the wider community and to Auckland Airport's financial resilience.
- We worked alongside government border agencies, the Ministry of Health (MOH), the Ministry of Transport, airlines and the wider travel and tourism industry. Meeting daily, our collaborative cross-agency team effort allowed us to make rapid changes to reduce the COVID-19 risk at Auckland Airport, and to the wider community.
- We introduced various layers of protection across the terminal to keep people safe and healthy, including high-frequency cleaning in all areas and widespread social distancing messaging.
- We also helped foreign embassies set up support for stranded passengers and made the 260-room Novotel Hotel available to the MOH to provide managed isolation facilities for returning New Zealanders.

Repatriation flights

As borders closed around the world and scheduled flight services were cancelled following COVID-19 lockdowns, the team at Auckland Airport quickly switched focus into supporting repatriation flights.

Our core role remained the same: helping Kiwis get home and helping other travellers get to where they need to be. But timelines for supporting repatriation flights were greatly compressed – while preparing for a new airline service into Auckland can typically take up to a year, some repatriation flights were arranged within days.

We are proud to have supported airlines such as Air India, Swiss Air Lines, Vietnam Airlines and Austrian Airlines, which had either never flown to New Zealand before, or not operated regular scheduled services here. In total, more than 22,700 travellers flew home via Auckland Airport between February and the end of July 2020.

Operational reliability

In FY20 we made a commitment to the ISO5501 standard for asset management. Service reliability remained solid. The exception to this was two unexpected runway outages that caused us to review the timing of planned maintenance. In May 2020, with the support of our key airline partners and other stakeholders, we brought forward the planned $26 million runway pavement replacement works, shortening the runway by 1.1km during construction to renew 280 sections of pavement in the eastern touchdown zone.

For further explanation of our commitment to innovation and operating efficiently refer to Sections 6,11,12,13 and 15 of the Annual Disclosure Commentaries.

FY20 METRICS

Interruptions dropped from

39 to 37

On time departure delays remained less than

0.06%

of total aircraft movements and decreased from 102 to 76.

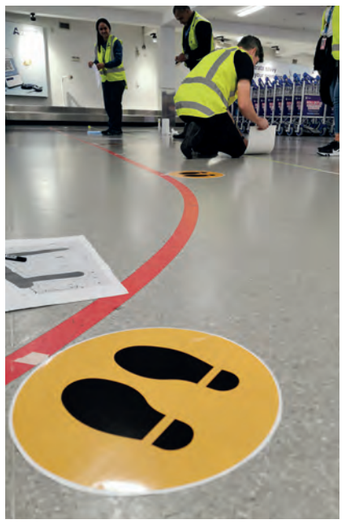
Availability of material services

> 99.95%

FY20 CONTINUOUS IMPROVEMENT INITIATIVES

Extended runway inspection and maintenance; and

Continuous baggage system management training



Meeting and exceeding customer expectations

Making journeys better for all has been a longstanding company priority. Our people are the face of Auckland Airport and we have worked to assist our staff in ensuring everyone coming to the airport experiences manaakitanga – a warm and uniquely New Zealand hospitality.

This year we introduced Auckland Airport's Guest Promise, including training modules for our staff to ensure we deliver on our promise: we make sure every guest wants to come back.

Four service principles guide the behaviour of our staff in delivering on our Guest Promise: treating every guest like they're our only guest; making it feel like a walk in the park; making relaxation our guests' destination; and helping our guests enjoy their time, their way. In the 2020 financial year, 172 people took part in training across our operations, guest services, engineering and support office teams.

In response to COVID-19 we have collaborated and implemented changes quickly, often at very short notice to develop new passenger processing plans for repatriation flights, implement additional cleaning regimes in the terminals and encourage social distancing. This was vital in ensuring that guests felt safe while visiting and travelling through Auckland Airport.

Trials are currently underway on a range of cleaning technology solutions aimed at providing an additional level of hygiene assurance. Some of the technology solutions being tested by Auckland Airport include:

- ultraviolet light technology, commonly used to sterilise surgical equipment, installed on escalator handrails;
- antimicrobial shields added to elevator buttons; and
- thermal-imaging cameras that can detect someone with a fever amongst a group of people

Preparing for a different future

Our airport experience needs to reflect the new COVID-19 environment, providing reassurance to travellers and guests so they feel safe and comfortable at all points of interaction at the airport. To enable safe travel zones, Auckland Airport has developed a comprehensive plan to ensure we can provide a safe, separated pathway through the international terminal whenever the Government decides it is safe to allow quarantine-free arrivals. We've worked hard with our border agency and airline partners and the in-terminal physical works are now complete to allow for the separation of different categories of travellers under a range of different scenarios.

Other customer initiatives completed in FY20 include:

- upgrading the Auckland Airport app to put the guest in control with information on the end-to-end journey times
- introducing 12 eGates at international departures to scan boarding passes and allow access to security areas, providing a touchless security process focused on self-service
- configuring two e-gates to include biometric authentication to enable a future seamless customer journey from check-in to aircraft boarding

Our Airport Quality Surveys (ASQ) showed that despite the high levels of on-airport infrastructure activity, customer satisfaction remained strong. We temporarily halted our in-terminal surveying of travellers in Q4 of FY20 due to hygiene restrictions and not wanting to add further to passenger stress.

For further explanation of our commitment to delivering quality services, refer to Sections 14 and 15 of the Annual Disclosure Commentaries.

FY20 METICS

traveller ASQ satisfaction of
4.3/5
for international

traveller ASQ satisfaction of
4.1/5
for domestic

passenger injury rate reduced by
5.9%

SOME OF THE AIRLINES, ROUTES OR AIRCRAFT TO AUCKLAND (AKL) DURING THE PANDEMIC

CARRIER	ROUTE
Lufthansa 747-400	AKL to Frankfurt via Tokyo
Lufthansa A380	AKL to Frankfurt via Tokyo
Swiss 777-300	AKL to Zurich via Bangkok
Austrian Airlines	AKL to Vienna via Kuala Lumpur
Virgin Australia 777-300	BNE to AKL to Hong Kong to Paris
Latam 787	AKL to Lima to Santiago
Aerolineas Argentinas A330-200	Buenos Aires to AKL to Shanghai
Air NZ 777-300	New Delhi/Mumbai to AKL
Chilean Air Force 767	Santiago to AKL to Beijing
French Air Force A400m	AKL to Tahiti
Air Calin A330-900	AKL to New Caledonia
Etihad 787	Abu Dhabi to Aust to AKL
Air India 777-200	New Delhi to AKL
Volga Dnepr Antonov 124	Singapore to AKL

As fleets were grounded by border restrictions and a fall in passenger demand our operations team supported our airline partners in parking planes on the airfield.

Airport Emergency Services crew members, like Lorna Biggam, were on hand to help guests throughout the COVID-19 outbreak.

Continuing to deliver for New Zealanders, customers, shareholders, our people and our community

Auckland Airport is an important economic hub for New Zealand. In normal times, direct economic benefits[2] for New Zealand from airport activity are estimated annually at:

- $2.7bn in GDP
- 20,180 people employed directly on the airport precinct
- $1.2bn in household income
- 800+ businesses

We provide good value, with fair and reasonable pricing

Auckland Airport strives to provide excellent customer service that is good value at fair and reasonable aeronautical prices. We rank approximately mid-way through a group of 26 peer international airports for our international charges. Our domestic charges remain among the lowest in Australasia due to the age, high utilisation of the current domestic terminal building and the small contribution of domestic charges toward shared costs. It has been long signalled to airlines that domestic pricing will need to step up following investment in integration and repurposing of the existing domestic terminal building.

Airport charges were set in 2017 and were based on pre-COVID-19 forecast aeronautical volumes. Since COVID-19, aeronautical traffic and revenues have fallen dramatically, creating losses and cashflow challenges for both airlines and airports. Globally airport charges represent circa 5% of airlines costs, but 56% of airport revenues, demonstrating our sensitivity to reduced demand. Airport Council International (ACI) estimates that there is a $130bn projected shortfall in airport revenues worldwide. We recognise the hardship faced by our customers and, like other airports globally,have provided temporary financial relief to airlines, including free long-term parking for inactive fleet and a range of tenancy discounts for customers suffering severe hardship. It is not commercially viable for Auckland Airport to provide yet more discounts to airlines for the small volume of flights which are occurring, neither is it viable for us to reset aeronautical prices today to offset current losses while our airlines are so dramatically impacted.

COVID-19 has disrupted investment for the moment

Pre-COVID-19, Auckland Airport's incentives to invest long-term were finely balanced due to the sub- WACC returns deemed acceptable by the regulator and the very limited opportunity to offset sub-WACC aeronautical returns through shared aeronautical / commercial investment. The Commission has previously acknowledged the inherent uncertainty in determining the right aeronautical return for Auckland Airport, but we failed to convince the Commission that its Auckland-Airport specific systematic risk data provided a more accurate assessment of the investment risks facing Auckland Airport than the average of its sample of 26 global airport companies.

COVID-19 is unwelcome proof that airports face material demand shocks. While we have moved decisively to right-size our cost base, we are incurring material unrecoverable losses due to the closure of the border which has virtually eliminated international revenue. We have also had no option but to terminate a range of projects resulting in $69.6m of unrecoverable capex project losses. We have also suspended a range of non-regulated projects as this part of the business has not been insulated from the risks the pandemic presents

Over PSE3, Auckland Airport targeted a five-year return of 6.62% for aeronautical prices and 6.72% overall including leased aeronautical land and buildings. The FY20 return was - 0.46% and the three-year period to date total regulated return is 6.31%, below the 6.72% five-year target. Given that FY21 will involve a full twelve months of post-COVID trading, compared with four months in FY20, there will inevitably be a weak aeronautical return. The full five year return will likely only be a fraction of the original PSE3 target.

The broader financial viability of the industry may require government support

As ever New Zealand's aviation system has proven to be nimble and has collaborated with speed – it's been a matter of survival. We note that both the Airports Council International (ACI) and the International Air Transport Association (IATA) have called for governments to bear the costs of public health measures and request that the extra costs of health measures mandated by governments must—as the WHO recommends—be borne by governments[3]. This recognises that the industry is still on the edge of a financial precipice and must be able to focus scarce resources on reconnecting the world and boosting economic recovery.

ACI,[4] as the trade association of world airports, is advocating for governments worldwide to aid the financial viability of the industry by:

- supporting financial liquidity in the system overall
- recognising there will be rising financial costs for airports because of increased risk
- considering measures to relax restrictions on commerce and stimulate sales – to improve viability of retailers and indirectly the airport
- considering tax relief for the aviation sector
- taking care that no measure or relief package should disproportionally benefit one stakeholder at the expense of others
- ensuring cost recovery of airports is protected.

We aim to be a good employer, a strong and productive member of the community and a considerate neighbour

It has been an extremely challenging year for our team as we have shifted way from delivering Auckland Airport's largest ever infrastructure transformation programme to managing through a pandemic. COVID-19 has had a sudden impact on our operation, and in the space of a few weeks we had to make changes to ensure the survival of the business that would have seemed unimaginable in January, eg: shutting down key projects, reducing the size of our workforce, lowering employee hours and salaries; and suspending or cancelling more than $2 billion of infrastructure projects that our team was proud to be delivering for New Zealand.

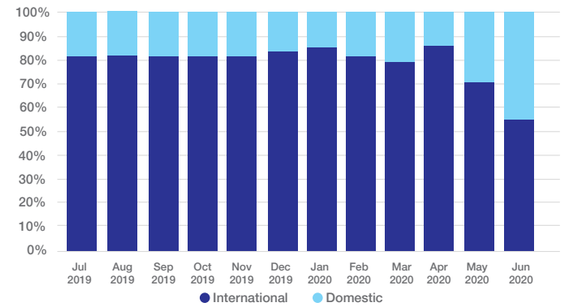
Like corporates across the country, protecting our workplace was a crucial priority. Auckland Airport's strong safety culture extends to our retail and business partners, many of whom have been significantly impacted by COVID-19. We included precinct stakeholders and construction providers in our COVID-19 communication strategy, providing practical and up-to-date advice and guidance to help keep them and their workers informed.

Before COVID-19, community initiatives this financial year included:

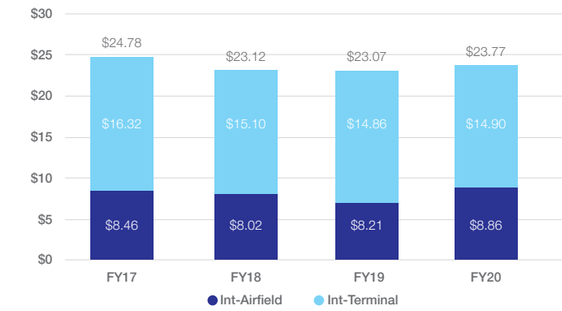
- Two job expos with Ara – Airport Jobs and Skills Hub were held involving 940 job seekers and 60 businesses,
- External recognition from the New Zealand Planning Institute of our new online interactive tool to help property owners understand the potential impact of the planned second runway on their property. There were 146,682 views within the first month of the map being launched.

For further information on our commitments on health and safety and sustainability for the community, refer to Section 15 of the Annual Disclosure Commentaries.

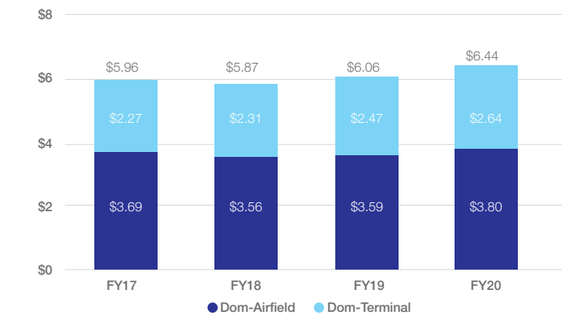
Proportion of FY20 Aero Revenue that is International vs Domestic



Average charges per Passenger - International



Average charges per Passenger - Domestic



▼ 26.5%
Total pax down 26.5% to 15.5m

▼ 26.4%
International pax down 26.4% to 8.5m

▼ 26.5%
Domestic pax down 26.5% to 7.0m

FY20 METRICS

Three-year period to date total regulated activities IRR
6.31%
compared to the three-year forecast of 7.80% and the five year PSE3 target of 6.72%

Three-year period to date priced activities IRR of
5.48%
compared to the three-year forecast of 8.03%

FY20 - Aeronautical loss
$7.2m
ie $118.9m lower aeronautical profit than forecast

Termination, make good and project write-off losses of
$69.6m

$351,752
invested into local communities through the Auckland Airport Community Trust

$144,000
of public donations collected and redistributed to 12 charities as part of the 12th year of our annual "12 days of Christmas" initiativeCommunity Trust

KEY FY20 STATISTICS

89%
increase in reporting of safety observations and hazards

72%
decrease in the employee recordable injury rate

19%
decrease in energy use per passenger*

39%
decrease in waste to landfill per passenger*

45%
decrease in Carbon emissions per m² of terminal area*

*Against baseline year (2012)

[2] Insight Economics 25 July 2018. The indirect economic benefits of Auckland Airport to the regions of New Zealand are on top of these estimates.
[3] IATA Press Release no 59 – "ACI and IATA Call for Governments to Bear Costs of Public Health Measures"
[4] Philippe Villard, Head, Policy & Economics, ACI World

Auckland Airport

Annual Disclosure Commentaries

30 June 2020

Introduction

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

The Government does not require the Commission to directly control airport prices but rather to review our price-setting decisions and annual disclosures to promote greater understanding of our performance, and to influence outcomes that promote the long-term benefit of consumers. In June 2017 we set prices for the second time since the introduction of the ID regime in 2010. We sought the appropriate balance between charging reasonable prices, supporting the most significant investment programme we have ever contemplated and continuing to deliver high quality customer experiences. We consider our original 6.99% target return was justified; however, the Commission held a different view on the relevance of Auckland-Airport-specific systematic risk data and the extent to which the investment programme justified a return above the Commission's benchmark industry-wide estimate. Consequently, in February 2019 we set out discounts to apply to the three financial years from 1 July 2019 to 30 June 2022. The discounts reduced Auckland Airport's target return for PSE3 to 6.62%.[1]

Our response demonstrates that Auckland Airport remains committed to the ID regime and to working with the Commission, passengers and customers to ensure our decision-making promotes the long-term benefits of consumers. We believe the ID reporting regime provides an effective means for explaining an airport's performance in relation to its regulated services, including pricing arrangements, quality of service, capacity constraints and capital requirements. We seek to promote the long-term interests of consumers by delivering quality infrastructure and encouraging competition between aviation sector participants who use our services.

This year's annual disclosure provides transparency around the challenging decisions Auckland Airport has been forced to make in response to the COVID-19 pandemic which led to a rapid reduction in flights and passenger numbers in early 2020 with international passengers reduced to near zero following country wide border restrictions. These unprecedented events demanded a swift response to manage the financial impact on Auckland Airport and our multi-billion dollar capital programme. This included:

- reducing our outgoings on all fronts, but most difficult our workforce (refer Section 6.1); and
- pausing our investment programme due to the uncertain demand outlook and fiscal constraints (refer Section 6.2).

The New Zealand Government's border closure strategy in response to the COVID-19 highlights that airports are not immune to risk, particularly if the border is used as the last line of defense. Auckland Airport incurred $69.6m of unrecoverable losses in the year to terminate construction contracts, make good impacted land and infrastructure and to write-off abandoned capital expenditure projects. The decision to pause investment was the only response available given disruption to the industry and Auckland Airport. Airline customers supported this decision, albeit the financial losses associated with the suspension or cancellation of capex projects were borne entirely by the company and its

[1] This is the 55th WACC IM percentile. Auckland Airport has applied the same rate (6.62%) to calculate the holding costs for assets held for future use and works under construction.

shareholders, many of whom also participated in a capital raise supporting the long-term security of the business.

The future of the COVID-19 pandemic continues to create significant uncertainty for continued development. In FY20 we launched a revised company strategy which involves three phases: Respond, Recover, Accelerate. We have commenced a fulsome review of the trigger-based infrastructure plan to ensure that there is sufficient airfield, terminal and landside capacity available as the recovery unfolds. This involves overlaying the best available information to create the most sustainable pathway for realising the Masterplan over time, given likely demand recovery scenarios, regulatory requirements, constructability, together with an assessment of risks and opportunities.

The industry continues to work alongside one another and with government to seek better long-term outcomes for consumers, albeit in the near term we each face material fiscal constraints.

Auckland Airport has taken a range of actions to reinforce our balance sheet and ensure we remain well capitalised during this period of uncertainty, so we are positioned for a post-COVID-19 recovery. Our ability to invest during the next few years will be influenced by trading conditions and our capacity to increase borrowings to fund capital expenditure while complying with debt covenants after the temporary waivers expire from the twelve months to 30 June 2022 onwards.

We continue to encourage interested parties to exercise caution when interpreting variances between actual performance and the original price setting forecasts and when making comparisons between airports. As ever interrelationships exist between capital and operational expenditure, innovation and quality and therefore it is difficult to draw conclusions on forecast versus actual outcomes for one isolated period or over a short time period. Effective performance continues to be better assessed over a reasonable period of time, across a range of interlinked performance measures. We have sought to explain material variations between actual and forecast performance, though it will be no surprise to the reader that for FY20 – COVID-19 has trumped everything and created external pressures that are more severe than our most pessimistic forecasts, which has impacted our financial and operational performance.

The detailed commentaries provided below support the information contained in the ID Templates and summarise our approach towards promoting the above outcomes.[2]

To assist with usability, the numbering of sections within this report is consistent with the schedule numbers contained in the ID templates that provide empirical data on how we have performed against the Part 4 objectives this disclosure year.

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. Innovation can also lead to reductions in operational risk that might not be obvious to the travelling public.

We seek to innovate to support all our key purposes and principles. Innovation can direct and prioritise investment, work to improve customer service quality, and help to generate efficiencies in the airport business or across the wider aviation system. Auckland Airport is continuously focused on the introduction of new processes and technologies to improve the overall customer experience on the

[2] For further detail refer to previous disclosures.

precinct.

We have faced major setbacks to the infrastructure delivery programme as a result of the COVID-19 pandemic. Yet we remain optimistic that fit for purpose solutions can be created by fostering positive relationships and taking a collaborative approach to problem solving with industry members and key government agencies.

Collaboration remains very important in an industry which needs a safe and affordable recovery strategy. Auckland Airport continues to actively facilitate the identification and prioritisation of risks and opportunities and works together with the Board of Airline Representatives New Zealand (BARNZ), our major customers and government agencies to bring about change.

We encourage stakeholders to consider the broader economic benefits which flow from airport innovation as this far outweighs the outputs that would be directly measurable in increasing asset productivity or directly reducing Auckland Airport's operating costs.

Innovation can lead to the development and delivery of new, best in class, goods or services, and/or more efficient production techniques. Or in the current environment, the turnaround of safe alternative operating processes to meet public health priorities during a worldwide pandemic.

Please refer to Section 15 for non-exhaustive examples of how in FY20 Auckland Airport innovated this financial year.

Investing efficiently

We are New Zealand's front door and hosted 15.5 million passenger movements in FY20. Auckland Airport is committed to ongoing aeronautical infrastructure investment, for the benefit of our city, country, customers and investors. As ever we consider it crucially important to both maximise the efficiency of existing infrastructure and develop necessary infrastructure to support demand.

In March 2014 we published a distillation of the Masterplan called Airport of the Future: Our vision for the next 30 years. Our vision is to build a world-class airport that supports airlines and aviation-related businesses to be economically successful and to boost the economies of Auckland and New Zealand. Our vision extends 30 years so that it can be planned and built in stages where possible.

In mid-2017 we announced a circa $2.0 billion aeronautical investment programme for PSE3. This programme was unprecedented for Auckland Airport and consequently PSE3 marked the beginning of an investment era and the organisational transformation necessary to support what represents one of New Zealand's largest private infrastructure development programmes. By February 2020, six of our eight anchor projects had commenced with physical construction works underway for the majority of them.

The COVID-19 pandemic has disrupted Auckland Airport's growth in an unprecedented manner. The key question we now face is what does "investing efficiently" look like in a post-COVID-19 world with low aeronautical demand, relatively fragile aviation economics and an uncertain recovery path.

Once again investing efficiently involves responding to forecast demand conditions. Disappointingly COVID-19 has decreased demand so substantially that Auckland Airport had its hand forced to stop most infrastructure delivery to better match infrastructure capacity with demand conditions and maintain financial viability. This decision was supported by airline customers who themselves were faced with halting investment wherever possible. This market dynamic is the opposite of PSE2 when both Auckland Airport and our airline customers did not foresee the substantial increase in demand that eventuated. We responded to that unforeseen increase in demand by investing $522m of

aeronautical capital expenditure in PSE2, an 80% increase ($232m) on the forecast of $290m which was set when the demand environment was more subdued.

During FY20 we had to review the risk and reward profile of the circa 200 projects that feature as part of our infrastructure investment programme and dramatically pare it back to essential projects which support resilience, while prioritising the short and long term needs of our customers. While the long-term fundamentals of our business remain strong, we believe that COVID-19 has illustrated the material risks airports face when seeking to develop long term infrastructure for the benefit of consumers. Specifically, we have incurred $69.6m of unrecoverable losses to stop infrastructure projects and are currently running the airport for essential trade and travel at a loss.

Our investment philosophy remains unchanged in that:

- a long-term planning horizon is important as it provides transparency for airline stakeholders, Government and Auckland Council so they appropriately plan for the future;
- customers provide valuable feedback which influences the design process and timeframes;
- enabling sustainable demand growth, appropriate quality, safety and resilience will be the main triggers for future infrastructure development;
- investments should be safe, efficient, resilient, flexible and consider environmental and community impacts;
- a high-quality experience for airlines and passengers should be planned and built in stages to the extent possible to ensure the vision is affordable, implementable and aligns with demand;
- trade-offs are required around constructability and delivering infrastructure in stages;
- infrastructure delivery in any sector involves substantial risk that needs to be identified. Any frustrations or disruptions to our passengers need to be proactively mitigated; and
- a reasonable long-term return is sought on aeronautical investments over their lifetimes.

Of course, investment must also be fundable. We understand the sentiment of some interested parties that we should be building now whilst traffic is low. In an ideal world we would. Unfortunately, the fiscal reality is that revenue is materially reduced and this has severely constrained our borrowing capacity. With the limited finances, when conditions warrant, we will bring forward affordable investment consistent with our ‘Respond, Recover and Accelerate’ strategy.

We always review the cost / benefit of the range of alternative options that exist to meet an overall objective. Key principles that are applied when evaluating options are the relative fit with the development pathway, demand, customer journey and experience, hygiene / health, operational efficiency, resilience, flexibility, future proofing, buildability, affordability, safety and security in design and sustainability.

We make key investment decisions following engagement with border agencies and extensive consultation with airlines. At the highest level, stakeholder support can help Auckland Airport to develop a design that strikes the right balance of delivering what is necessary to meet passenger and operating needs in the most cost-efficient way.

Our airline customers and border agencies are active collaborators in the design process, and we value their contributions which can cause planning changes from small design changes to fundamental infrastructure shifts. As in other sectors, no one customer is the same. Airlines, for example, do not always agree, particularly on their appetite for new capacity and/or the quality of infrastructure required and views within a single airline can change over time. Auckland Airport engages with key stakeholders on all major aeronautical capital expenditure, and they play an active role in influencing our decisions. In practice it is impossible to perfectly match infrastructure capacity to short term changes in demand given the long lead times for construction of airport assets.

At the end of the day the airport must look across all interests and decide on what is in the long-term interests of consumers.

Please refer to the following sections which relate to our incentives to invest:

- Section 1 which sets our target and actual returns and asset commissioning; and
- Section 6 which describes how the investment programme is tracking for PSE3.

Providing services of the quality and range required by consumers

As New Zealand's international gateway and largest domestic airport, the day to day quality of the service we provide is critical. If our service is below expectations, this negatively impacts our business and has flow-on effects for all travel, trade and tourism businesses that rely on Auckland Airport. Desired outcomes in service delivery are founded in high quality, broad choice, strong reliability and a commitment to customer service. Safety and security have always been at the heart of our operation. Throughout this time of crisis our people, especially those on the frontline, have worked tirelessly to keep everyone safe and to protect New Zealand from the spread of COVID-19.

Auckland Airport works actively to increase the range of services and capacity on offer to passengers and freight operators to and from New Zealand. As our facility changes and quality of service is improved over time, guests may nevertheless experience disruption while our facilities undergo major construction or respond to changes to manage the evolving pandemic management plans. We seek to anticipate where the major points of stress might be in the system and to proactively mitigate impacts where possible. On the ground in the terminal we have a strong guest service ethic and seek to go the extra mile to alleviate the stress that can come with travel and construction sites.

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

- review of direct feedback to identify where quality issues may be emerging; and
- market research that assists in understanding consumer needs and preferences.

These insights inform process development and terminal planning. Evidence of our efforts in this area include our:

- membership of the global Airport Service Quality (ASQ) service rating system;
- real time survey data via numerous in-terminal customer satisfaction kiosks; and
- guest promise accreditation programme.

We see our customers every day and seek to understand their needs and concerns intimately. 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. Auckland Airport is focused on working alongside our partners to continually make improvements to the customer and passenger experience, through improved quality and choice of services. We develop our understanding of stakeholder quality requirements through direct feedback via a range of forums at operational and management levels including:

- collaborative operating groups at a tactical, management and CEO level; and
- consultation on terminal and airfield development and service priorities.

We also encourage supplier innovation and competition to help grow customer choice and the size of the overall market.

Please refer to the following sections for summaries of the initiatives taken by Auckland Airport in FY20 to improve service quality:

- section 11 describes the reliability of services delivered to airlines and passengers. We report against a range of metrics that describe on time performance and interruptions to core services (if any). In addition to this, we measure ourselves against the percentage of time the assets are available for use;
- section 14 sets out our results for ASQ, a customer satisfaction analysis and benchmarking programme. Within this schedule, we also describe the key service level changes within facilities over time; and
- section 15 summarises operational improvement initiatives, some of which have the effect of improving service levels.

Generating efficiencies and sharing the benefits

Economy of scale efficiencies were not generated from demand growth in FY20 (Section 16) as a result of COVID-19. But that does not detract from the fact that efficiency is at the heart of Auckland Airport's strategy to be fast, efficient and effective.

Through periods of growth efficiencies are generated through Auckland Airport's route development activities. Over time greater passenger volumes enable our operating and capital costs to be spread over a broader base at each price reset. Within a pricing-period, consumers benefit from increased competition, improved prices and greater choice. Route development success and unanticipated passenger and aircraft movements growth during PSE2 enabled average aeronautical prices to fall in PSE3. In periods of contraction, opportunities for efficiencies must be exhausted and costs shared over a smaller set of users.

The efficiency of an airport's operating cost base is influenced by its scale and mix of domestic and international passengers, with the latter being relatively more expensive to process due predominantly to different security requirements. We are unusual in the scale of both our domestic and international operations. Despite this, Auckland Airport benchmarks relatively well in international comparisons of airport operating costs.[3] At times we benefit from economies of scale, at other times complexity creates a diseconomy.

We actively explore options for increasing productivity of existing capital base through process and technological efficiencies prior to making any significant capital expenditure commitments as is demonstrated by the traditionally high utilisation rates of current infrastructure.

Readers will not readily find these traditional efficiencies in reported figures whilst the complexity and demand effects of the pandemic prevail. We have implemented a range of measures to reduce operating costs and eliminate discretionary spending since March 2020, without compromising safety or service delivery.

Auckland Airport recognises its role within the complex system of tourism and aviation. Collaboration with partners is a critical part of operating as an efficient airport. Outcomes in efficiency are a result of a combined effort from airport staff and employees of partner organisations. We work constructively to

[3] Airlines often criticise Australasian Airports for their high EBITDA margin, notwithstanding that higher margins imply proportionally lower operating costs and may reduce aeronautical charges for a given target return. Also, comparisons across jurisdictions do not account for material differences in the scope of services directly provided by the airport company (e.g. ground handling and security). Auckland's operating model, efficient cost base and relatively high asset intensity per passenger contribute to a relatively high EBITDA margin. However overall aeronautical revenues per passenger are around about middle of the pack.

facilitate initiatives which improve the efficiency of the system and to question initiatives where the system efficiency is unclear. In some instances, we take a leadership role to facilitate broader opportunities for what is a fragmented system, in others third parties impose decisions upon us. The willingness of Auckland Airport to absorb the cost of, often unanticipated, investment can lead to more efficiencies for the network, which ultimately benefit consumers. To the extent that Auckland Airport's investment reduces the aeronautical pricing of other partners operating at the airport, this makes the network cost of Auckland Airport more competitive, which can only be in the long-term interests of consumers. These initiatives can increase the scope of operating costs disclosed in Section 6 beyond that contemplated at the time of pricing and which without context can look like an inefficiency.

Auckland Airport is conscious of its responsibility to share the benefits of any efficiencies it creates with its customers, but also with the broader community in which it operates. This is consistent with the expectations of our customers, who not only expect good quality outcomes but the delivery of services in a way that is respectful of communities and the environment. We want to be a good corporate citizen and a good neighbour and help build strong, vibrant local and national communities. These communities include people working on and around our Auckland Airport precinct, schools and tertiary education providers, iwi, community groups and the environment. We focus our social responsibility work around three themes: education, employment and environment. Our annual programme of activities includes community grants, scholarships, community events, cultural activities and sponsorships. Increasingly, we are focused on 'shared value' activities such as employment that creates long-term, sustained benefits for all parties. Our ability to participate in discretionary activity is of course materially reduced in times of crisis such as COVID-19.

We have an active environmental program, which seeks to efficiently manage the water and energy we use and the carbon emissions and waste we generate. We take a broad approach to sustainability and consult with our stakeholders, staff and community to develop a sustainability policy and strategy that addresses issues that are important to them. We are transparent about our sustainability targets and performance – each year we disclose performance in our corporate social responsibility report.

Earning a fair and reasonable return on the investments made

For PSE3 Auckland Airport reduced its original 6.99% target return for priced assets to 6.62% and forecast an overall return for total regulated activities of 6.72%. The priced assets are common use assets that are recovered by way of standard airline charges. The remaining regulated assets tend to be leases with individual parties or licenses with a group of aeronautical users.

Until March 2020, despite the many uncertainties facing the sector, Auckland Airport was getting on with delivering the country's largest private infrastructure development and was forecasting an aeronautical return near its target return.

Like any business, our incentives to invest are affected by the level of expected return and nature of uncertainty at the time of decision-making. Unlike some businesses airport investment decisions are characterised by being long term in nature. Therefore, stability in the economic regulatory environment is particularly important because it increases the confidence of Auckland Airport that investment in long-dated infrastructure will attract a reasonable return over the life of the asset. The relative prosperity of the global aviation sector also affects confidence.

Before COVID-19 business cases remained challenging for large parts of the aeronautical development programme because of the high cost of development and because existing profitable business activities (e.g. parking and in-terminal retail) were to be replaced by new aeronautical infrastructure enabling future growth, but with little or no near term increase in those revenues.

These factors, together with the scale of our aeronautical investment programme, meant that at a project level Auckland Airport's incentive to invest was finely balanced. Auckland Airport has always sought to target a reasonable aeronautical return when setting prices every five years. Because of the countervailing influence of the regulatory regime and the Commission's strong views on target return, our targeted PSE3 target return was less than our estimated Auckland Airport WACC.

During the Commission's review of Auckland Airport's pricing decision, no material forecast bias was identified for PSE3. As previously foreshadowed, there will inevitably be variances to forecast as the airport sector is highly dynamic, even without a pandemic! At both a strategic and operational level, we are responsible for understanding and responding to aviation, tourism and trade trends, innovation and efficiency opportunities and managing that risk and reward environment. We have long argued that the airports are not without risks and that Auckland Airport has relatively high operating leverage - our ability to reduce costs simply cannot match reductions in variable revenues caused by sudden and material demand changes.

As we set out in Section 1, we have taken a range of actions to reinforce our balance sheet and ensure we remain well capitalised during this period of uncertainty, so we are positioned for a post-COVID-19 recovery. Our ability to invest during the next few years will of course be influenced by trading conditions and our capacity to increase borrowings to fund capital expenditure while complying with debt covenants after the temporary waivers expire from the twelve months to 30 June 2022 onwards.

In terms of day to day decision making we consider it is important for regulated entities to have incentives to manage risks that impact on revenue and/or costs, where they are best placed to manage such risks. We seek to finance our investment programme efficiently, control costs, drive volume to reduce unit costs, and deliver on our pricing commitments.

A key tenet of our infrastructure planning is to be demand led. Our customers expect us to respond to demand conditions where appropriate. We discuss how COVID-19 has disrupted capital investment and returns during FY20 in Sections 1 and 6.

We also seek to best use the resources available to balance new needs which emerge over time from changing demand conditions and operational, competitive, legislative and community requirements. Regulatory changes can also trigger capital and/or operational investment. Since prices were set, new regulatory requirements have been incorporated into planning when the requirements are sufficiently clear.

For the types of reasons explained above, Auckland Airport encourages interested persons to consider the full context we provide when assessing our annual or period to date returns. This is important to achieving a full understanding of whether, over time, we are targeting and achieving returns that are consistent with promoting the long-term interests of consumers.

Glossary:

Act	Commerce Act 1986
AES	Airport Emergency Services
APOC	Integrated Airport Operations Centre
ASQ	Airport Service Quality (a global service quality certification body)
AT	Auckland Transport
Auckland Airport	Auckland International Airport Limited
Avsec	Aviation Security Service
BARNZ	Board of Airline Representatives of New Zealand
CAA	Civil Aviation Authority
Commission	The Commerce Commission
CPI	Consumer Price Index
FOD	Foreign Object Debris
FEGP	Fixed Electrical Ground Power
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Practice
ID	Information Disclosure
ID Determination	Information Disclosure Determination
IM	Input Methodologies
IRR	Internal Rate of Return
ITB	International Terminal Building
MARS	Multi Aircraft Ramp System
MCTOW	Maximum Certified Take-Off Weight
MPI	Ministry of Primary Industries
MVAU	Market Value Alternative Use
OTD	On-time Departure
PAX	Passenger
PSE2	Price Setting Event 2 – FY12-FY17
PSE3	Price Setting Event 3 – FY18-FY22
RAB	Regulatory Asset Base
SMS	Safety Management System
WACC	Weighted Average Cost of Capital

Section 1: Report on Profitability

1.1 Background

Introduction

The purpose of this schedule is to show the returns that Auckland Airport is achieving on its regulated asset base following application of the input methodologies.

The returns are for all regulated activities at Auckland Airport and include:

- common airfield and terminal activities used by all airlines and passengers, for which unit charges are levied to airlines and reset at least every five years in consultation with BARNZ and the major airlines; and
- other aeronautical facilities, subject to lease, license or applying to a subset of users.

Revaluations

The approach an airport takes to value its assets and account for revaluations can materially impact its reported returns. Consistent with prior years, Auckland Airport has chosen not to revalue the aeronautical assets that are subject to five-yearly price setting consultations.[4]

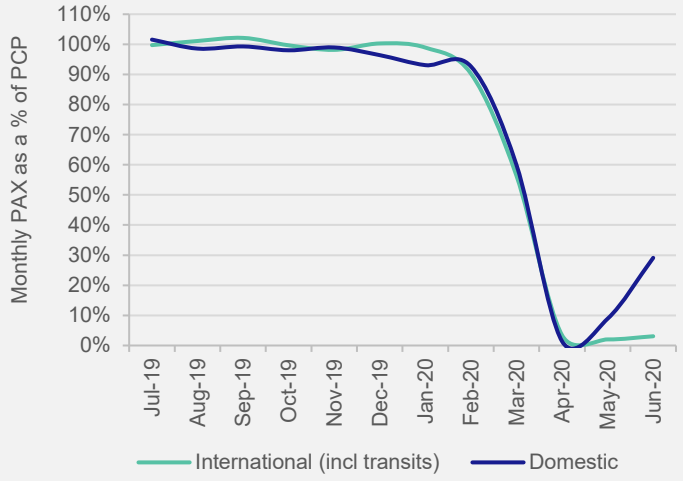
1.2 Commentary on the internal rate of return

Schedule 1 reports on Auckland Airport's post tax internal rate of return (IRR) on its regulated activities for year ended 30 June 2020 compared to forecast and secondly for the PSE3 period to date versus the forecast at the time of setting aeronautical charges.

Auckland Airport targeted an average post tax return of 6.62% for all of PSE3 on our 'priced aeronautical activities' (for which landing, passenger, check-in and aircraft parking charges are levied on the airlines) and 6.72% overall[5].

In the current year, the travel restrictions imposed to mitigate the effects of the COVID-19 pandemic have had a material adverse effect on the company. Auckland Airport's passenger numbers fell dramatically following the imposition of border controls and domestic travel

Figure 1: Monthly FY20 PAX as a % of FY19



[4] In 2006 (PSE1), for the purpose of setting aeronautical prices, Auckland Airport implemented a moratorium on asset revaluations for at least 10 years (PSE1 and PSE2) for the Airfield and Terminal Assets subject to the five yearly aeronautical price setting process. For PSE3 we chose to continue that practice and the decision was supported by the airlines. Since FY18, the Commission's new annual disclosure statements have allowed us to eliminate the previous mismatch between "pricing" and "regulatory" asset values by using the carry-forward mechanism to remove the impact of revaluations between the start of the moratorium in 2006 and the start of the information disclosure regime in 2010. Further explanation is provided in the FY18 disclosure.

[5] Following Auckland Airport's consideration of the Commerce Commission's findings on our PSE3 pricing, on 22 February 2019, Auckland Airport announced a reduction its aeronautical pricing target return from 6.99% to 6.62%, a $33 million reduction over the five-year pricing period in net present value terms. For further information refer to Schedules 18 and 19 in the FY2019 disclosure

restrictions. For example, in April 2020, passenger numbers were down 97.5% on the equivalent month in FY19 and aircraft movements were similarly down 88.9%. As a result of this reduction in aeronautical activity in the second half of the year, regulated revenue for the full 2020 financial year was down 22% on forecast resulting in Auckland Airport incurring a loss, or negative internal rate of return, for the year.

This loss compares to a forecast of 6.18% per the price setting disclosure.

Reflecting the loss in FY20, Auckland Airport's three-year IRR for the period to date of PSE3 declined to 6.31%. This compares to the 7.80% forecast for the same period as part of Auckland Airport's Price Setting Disclosure.

Figure 2: Internal rates of return

	2020	PSE3 to date
Actual	(0.46)%	6.31%
Forecast	6.18%	7.80%

Variance analysis

Clause 2.3(8) of the ID Determination requires Auckland Airport to explain any variances from forecast that have a material impact on the period to date IRR. The key drivers over the IRR variance for the first three years of PSE3 are set out in the table below:

	Actual $m	Forecast $m	Variance $m	Variance %	Impact on IRR
Opening RAB	1,187	1,245	(57)	(4.6)%	0.50%
Assets commissioned	468	967	(499)	(51.6)%	1.24%
Regulatory income	972	1,037	(65)	(6.3)%	(1.48)%
Operating expenditure	442	363	78	21.5%	(1.96)%
Unlevered tax	115	123	(8)	(6.7)%	0.20%
Closing RAB	1,486	2,006	(520)	(25.9)%	n/a[1]
Net IRR reduction					**1.49%**

Source: Schedule 1

1 Impact of Closing RAB variance on IRR is shown against "Assets commissioned".

As outlined in the table above, the 1.49% lower than forecast IRR on Auckland Airport's total regulated activities over the first three years of PSE3 is a direct result of the disruption to the business following the COVID-19 outbreak. The reduction in revenues and aeronautical profit because of the outbreak have far exceeded the IRR benefit from lower than forecast asset commissioning including the suspension of a number of key anchor projects.

Airport risk

We have previously noted that pre-COVID, Auckland Airport's incentives to invest long-term were finely balanced due to the sub-Auckland Airport WACC returns deemed acceptable by the regulator and the very limited opportunity to offset sub-WACC aeronautical returns through shared aeronautical / commercial investment. The Commission has previously acknowledged the inherent difficulty in determining the appropriate aeronautical return for Auckland Airport.

COVID-19 is unwelcome proof of the risks faced by airports, especially those heavily exposed to international traffic where the border can be used as a last line of defense. While Auckland Airport has moved decisively to right-size our cost base, we are now incurring operating losses in the

aeronautical business because costs are significantly more fixed than revenues over the short-medium term. This is further described in Sections 2 and 6.

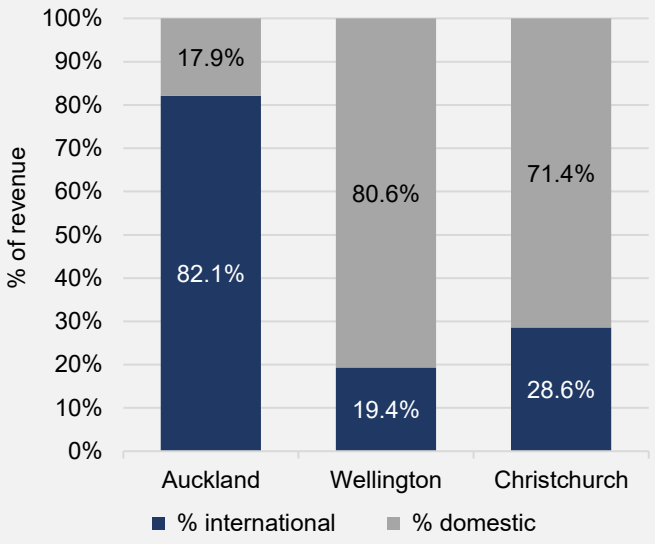
Refer also to Section 4 for further detailed commentary on changes in the closing RAB and Section 6 for discussion of period to date operating expenditure and capital expenditure variances versus the original PSE3 pricing forecasts.

COVID-19 has impacted international travel significantly more than domestic and Auckland Airport is far more exposed to international traffic than the other regulated New Zealand airports.

For FY19, Auckland Airport estimates that over 80% of its aeronautical income came from international activity. This compares to New Zealand's other regulated airports, Wellington and Christchurch, where the reverse is true, with 81% and 71% respectively coming from domestic activity.

With the borders remaining closed to all but returning residents, significant uncertainty exists around Auckland Airport's future international revenues.

Figure 3: FY19 airfield and specified passenger terminal activities revenue split by international and domestic



As New Zealand's gateway with approximately 75% of all international arrivals passing through Auckland, Auckland Airport is more exposed to this risk than many of the Commission's global airport company data set.

At a suitable time, Auckland Airport would welcome the opportunity to engage in further discussion with the Commission on how Auckland compares to the Commission's sample set and how pandemic risk might be better recognised in the future.

Section 2: Regulatory Profit

2.1 Comment on regulatory profit

The purpose of this schedule is to report on the regulatory profit for Auckland Airport for the year to 30 June 2020 following application of the input methodologies and to explain any variances that have a material impact on the period to date IRR.

The imposition of travel restrictions to mitigate the impact of the COVID-19 pandemic has had a material adverse impact on the regulatory profit of Auckland Airport. In FY20, Auckland Airport reported a loss of $7.2m, $118.9m or 106% lower than forecast aeronautical profit at the time of setting prices for PSE3. Explanation of the drivers of the adverse performance are set out below:

- net operating revenues of $276.6m were down $75.7m or 21.5% on forecast, reflecting the substantial reduction in passenger volume and aircraft movements in the second half of the year. As outlined in Figure 1 - Monthly FY20 PAX as a % of FY19, both international and domestic passenger volumes declined substantially from February 2020 reflecting the imposition of border controls and domestic travel restrictions. As a result, airfield and passenger service charge income was down $26.8m (21.0%) and $56.4m (29.8%) respectively on the forecast for the period;
- the adverse variances in airfield and passenger service charge income were partially offset by stronger than anticipated lease, rental and concession income, mainly from the component of regulated activities where prices are set according to standard commercial leasing practices, as opposed to the five-yearly aeronautical pricing process for landing, aircraft parking and passenger charges. Lease, rental and concession income in FY20 of $35.6m was $7.3m above forecast, reflecting the combined effects of higher guest volume in Auckland Airport's Strata Lounge than anticipated at the time of pricing[6], the effect of new property leases and rental reviews in the period to date, and partially offset by rental relief provided in response to the COVID-19 outbreak;
- check-in revenue was $1.2m or 36.6% higher than forecast as a result of slower adoption of the kiosk product in favor of traditional counter check-in;
- operating expenses of $199.1m were $71.8m or 56.4% higher than forecast mainly reflecting higher asset management and airport operations costs which were up $68.6m in the period. The disruption caused by COVID-19 resulted in capital project termination, make good and write-off losses of $69.6m and $4.8m of redundancy costs in the period. These losses were only partly offset by savings in marketing, promotions & PR, consultancy, audit & legal, utilities and other expenses arising from reduced aeronautical activity;
- regulatory depreciation was down $19.5m in FY20 on forecast reflecting the different phasing of commissioning assets compared to that contemplated at the time of setting prices for PSE3, particularly terminal assets; and
- regulatory tax allowance of $25.4m was $10.7m (29.5%) lower than forecast at the time of pricing reflecting the lower regulatory profit before tax in the period.

Figure 4: Key un-forecast costs FY20

	Forecast	Actual
Project write-offs	nil	$69.6m
Redundancy	nil	$4.8m

[6] Mainly because of the overflow of demand from Air New Zealand's own lounges.

Refer Sections 4 and 6 for further information.

2.2 Justification for merger and acquisition expenses

There were no merger and acquisition expenses in FY20 for the regulated airport business.

2.3 Financial incentives

The significant disruption to the aeronautical industry arising from COVID-19 has impacted many of Auckland Airport's customers and businesses that operate on the airport precinct. We have helped aeronautical and non-aeronautical customers where we can. Auckland Airport provided $6.3m of relief to airline customers and stakeholders during the year relating to relief from standard charges due to COVID-19 disruption.

Section 3: Regulatory Tax Allowance

3.1 Disclosure of permanent differences and temporary adjustments

Other permanent difference – not deductible:

This is the allocated regulatory share of incurred entertainment expenses ($0.1m), equity settled costs relating to the Long-Term Incentive Plan of negative $0.2m as well as one-off operating costs associated with the termination, make good and write-off costs of capital works in progress that were either abandoned or suspended ($69.6m). These expenses cannot be deducted from profit for tax purposes.

*Other tempora*ry adjustments – current period:

These relate to accruals and provisions made at year-end for estimated expenses that are not deductible for tax purposes including:

- employee related provisions ($6.6m) for employee leave, redundancy ACC, FBT and staff incentives; and
- other accruals and provisions ($7.2m) including doubtful debts ($5.7m), refer Section 6 for further discussion on the provision for doubtful debts, and other non-specific accruals.

These provisions will reverse during the year and be replaced with actual incurred deductible expenditure (hence the term “temporary adjustments”). The provisions also include fixed asset timing differences (which offset the provisions above) of $0.6m, related to the disposal of fixed assets and consultation costs for acoustic treatment.

*Othe*r temporary adjustments – prior period:

Prior period adjustments consist of accruals and provisions identical in nature to those of the current period - being employee related provisions ($4.1m) and other accruals and provisions ($3.4m).

3.2 Regulatory tax asset value of additions

During FY20 $40.8m of regulatory assets were added to the tax register. This is lower than the $43.6m of assets added to the RAB. The difference is due to holding costs equal to the target return being capitalised to the RAB, but not for tax purposes.

3.3 Regulatory tax asset value of assets transferred

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.

Section 4: Regulatory Asset Base Roll Forward

4.1 RAB value - previous disclosure year

Restated asset values

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 MVAU values (consistent with RAB). No further revaluations included.	-	-

4.2 Lost and found assets and adjustments resulting from cost allocation

A capital expenditure project typically enters the fixed assets register initially 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 41, entitled "Adjustment resulting from cost allocation". However, because row 41 does not contain an area to input movements in unallocated RAB, we have shown the $0.03 million unallocated RAB movement due to asset splits and transfers in row 39, under the "Lost and found assets adjustment".

On an allocated RAB basis, the cost allocation adjustment decreases the RAB by $0.5 m.

4.3 Calculation of revaluation rate and indexed revaluation of fixed assets

Consistent with amendments to the IMs in December 2016, and with Auckland Airport's pricing decision for PSE2 and PSE3, the only disclosed revaluations for FY20 are indexed revaluations for assets directly allocated to Aircraft & Freight activities. 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. There are no revaluations for Airfield or Terminal assets in FY20, consistent with Auckland Airport's decision to continue its moratorium on asset revaluations for pricing purposes over PSE3.

4.4 Assets held for future use

Assets held for future aeronautical use are not included in the RAB and earn no cash return. Instead assets held for future use sit outside the RAB and accumulate an annual holding cost equal to the target return which can be recovered once the asset has an aeronautical use.

Restatement of assets held for future use – previous disclosure year

Refer to FY19 disclosure for detail.

*Transfer of land from assets held for future us*e

In FY20, there were transfers of 0.48 hectares from land held for future aeronautical use into the non-regulated asset base, as disclosed in Schedule 5. As disclosed, the land has been transferred for the shoulder of the extended Te Kapua Drive. The value of the respective land parcels, as well as the cumulative holding costs and tracking revaluations associated with the land parcels, have been deducted at the current disclosure carrying value ($0.4m) via the assets held for future use – disposals line.

Assets held for future use revaluations

Opening tracking revaluations were reported as a negative figure in FY19. To be consistent with forward looking disclosures, this figure is now reported as a positive figure.

In FY19, $0.03m of revaluations in relation to the disposals was left out in error. This has been included in the FY20 movement in assets held for future use revaluations.

Row 133 Tracking revaluations

The formulas in row 133 have been amended to properly reflect the decrease in tracking revaluations due to disposals.

4.5 Works under construction

In FY20, there was a write-off of $17.9m of works under construction. The substantial reduction in passenger and aircraft movements due to COVID-19 has created surplus capacity within key areas of the airport's infrastructure. These costs reflect the abandonment and write-off of a number of projects no longer considered necessary in the near term due to the surplus capacity now available. We have added row 89 in Schedule 4 to highlight the $17.9m write-off of works under construction.

In FY20, the company also reported project termination and impairment costs, neither of which have affected the regulatory values for works under construction. The termination costs of $51.7 million for the Airport Business were expensed immediately. The impairments of $36.2 million for the Airport Business were recognised under GAAP in relation to uncertain projects. But the impairments are excluded for regulatory reporting since they are unrealised and may reverse in future when and if the projects are commissioned. Those projects remain in works under construction at their full cost for regulatory purposes. Refer to section 8.5 for further information.

Section 5: Related Party Transactions

5.1 Transactions with related parties

All trading with related parties, including and not limited to license 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 the Auckland International Airport Marae Ltd at no charge.

No guarantees have been given or received.

5.2 Auckland Council and its subsidiaries

Auckland Council is a significant shareholder of Auckland International Airport Ltd, with a shareholding in excess of 18 percent.

Payments to Auckland Council and its subsidiaries in relation to the Airport Business during FY20 were:

- rates of $2.6m (2019: $2.6m);
- compliance, consent costs and other local government regulatory obligations of $0.2m (2019: $0.3m);
- City Park Services – grounds maintenance costs of $1.4m (2019: $1.5m); and
- Watercare – water, wastewater and compliance services costs of $1.6m (2019: $1.1m).

5.3 Auckland International Airport Marae Ltd

Auckland International Airport Marae Ltd has two members of the Auckland Airport's senior management team on its board. During FY20, maintenance and occupancy costs of $0.02m (2019: $0.04m) were incurred in relation to the Marae by the Airport Business.

5.4 Auckland Airport's non-regulated business

As mentioned in section 4.4 above, land transfers may occur between non-regulated and regulated businesses from time to time as new property arrangements are developed. Details of the transfers are shown in Schedule 5.

5.5 Fulton Hogan

One of Auckland Airport's directors is also a director at Fulton Hogan. Auckland Airport incurred costs relating to engineering services / works provided by Fulton Hogan totaling $16.6m in relation to the Airport Business for FY20 (2019: $8.3m).

5.6 Associate and joint venture entities

Auckland Airport's related parties include an associate entity in Queenstown Airport Corporation and two joint venture entities being the Tainui Auckland Airport Hotel Limited Partnerships. There were no transactions in relation to the Airport Business between the airport and any of the associate or joint venture entities during the year.

Section 6: Actual to Forecast Expenditure

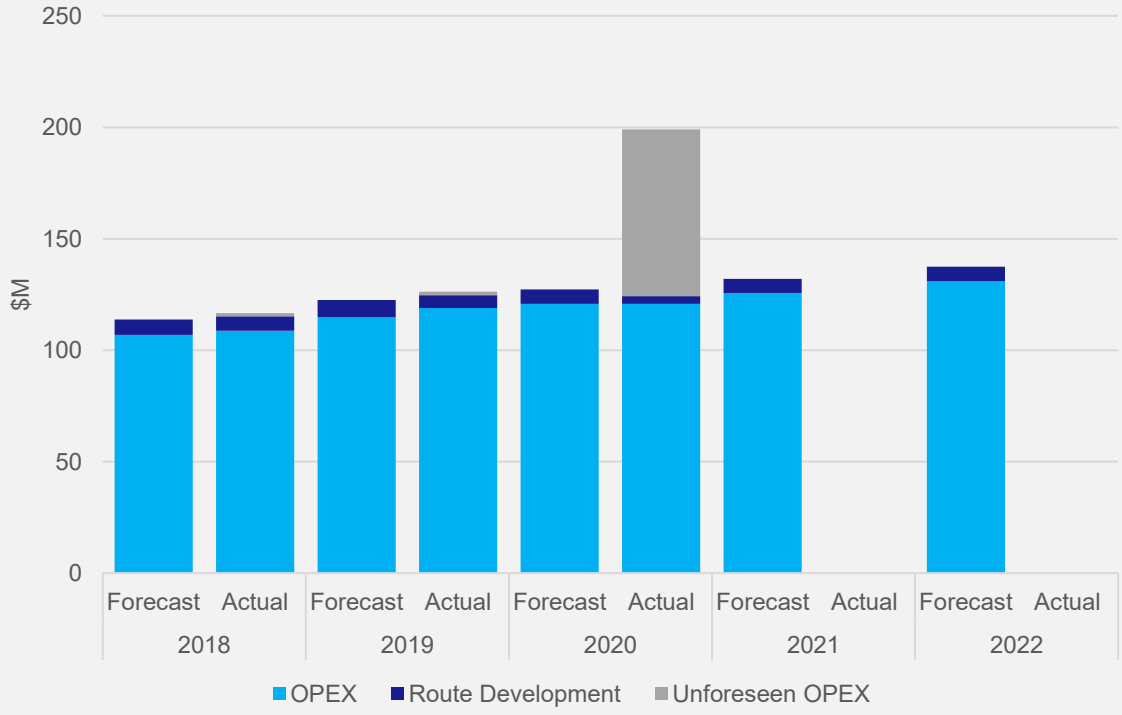
This section is in two parts. The first is a summary of operating expenditure in the period and the second capital expenditure. Auckland Airport is required to provide an explanation on variances that have a material impact on the period to date IRR under clause 2.3(8) of the Information Disclosures. We provide comment on items and variances deemed to be of material value to interested parties.

6.1 Operating expenditure

In FY20 total regulated operating costs were $199.1m or $71.8m (56.4%) above the pricing forecast of $127.3m as a result of unforeseen costs associated with COVID-19. For the pricing period to date, regulated operating costs were $441.5m, $78.0m (21.5%) above the pricing forecast of $363.5m.

The following chart provides a timeseries view of forecast and actual regulated operating costs.

Figure 5: Operational expenditure - Actual vs. Price Setting Disclosure



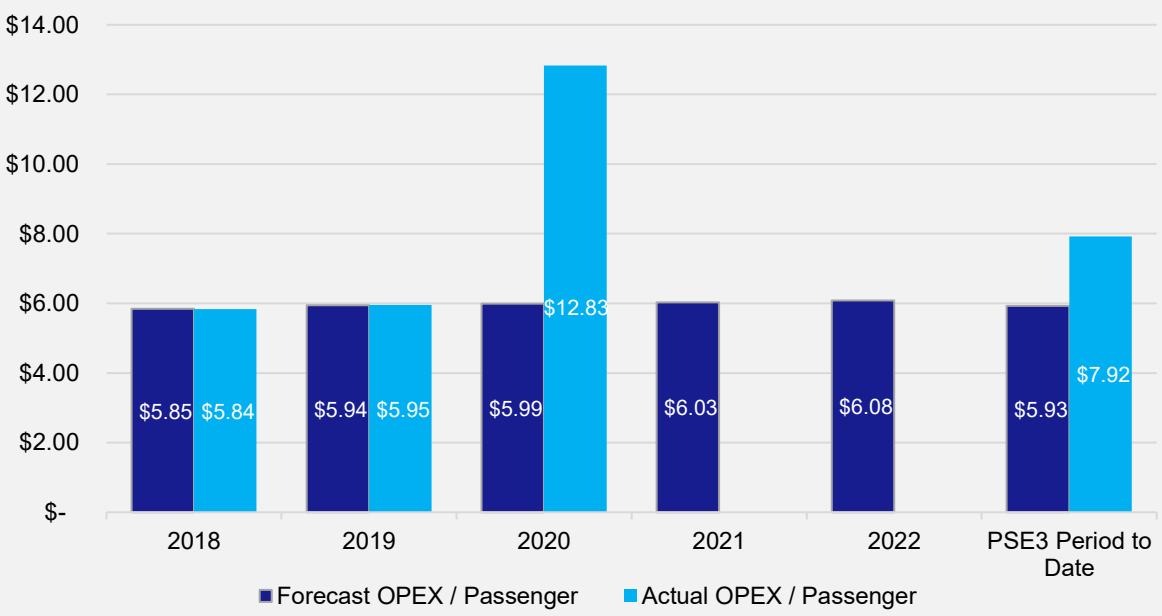
The key elements of the FY20 $71.8m regulated operating cost variance were:

- $69.6m of fixed asset project termination, make good and write-offs losses due to COVID-19 recognised in the Asset Management and Airport Operations category;
- redundancy payments of $4.8m from the substantial reduction in workforce required as a result of the lower demand environment caused by COVID-19. These costs are spread across Corporate Overheads, Asset Management and Airport Operations and Asset Maintenance categories;
- outsourced operations costs ($0.6m) from additional contracted security costs to secure the ITB Arrivals portal following the March 2019 incident in Christchurch; and
- repairs and maintenance costs from remedial works and additional maintenance on the runway following the Waitangi Day closure ($1.1m).

Auckland Airport has been able to partially offset the above unforeseen costs through a reduction in expenditure on Marketing, Promotions & PR, Consultancy, Audit & Legal, Utilities and Other Expenses ($4.3m) reflecting the lower demand environment.

The substantial reduction in passengers during the year has created material diseconomies due to the fixed cost nature of airport operations, which is evident in the diseconomies shown in the graph below. We expect this to be even more pronounced on an annualised basis in FY21. We have

Figure 6: Operational expenditure per pax - Actual vs. Price Setting Disclosure



endeavoured to remove as much cost from the business as practicable, but airports are asset intensive business with high fixed costs, and it is impossible to fully match material short term revenue reductions with operating cost savings. Furthermore, while fixed costs can be reduced in the long-term Auckland Airport has had to evaluate how deeply to reduce its cost base given the prevailing view that the international market will recover, albeit it is uncertain when.

6.2 Capital expenditure

Overview

In this section we set out the investment progress relative to the forecast set in 2017 which at the time airline stakeholders generally agreed to be appropriate. Through the period the investment plan has adapted to new information and changes in economic conditions. Please refer to this section in the FY19 disclosure statements for an explanation of key consulted changes to the plan such as the proposal to deliver a full length second runway.

COVID-19 has fundamentally disrupted investment

Auckland Airport made material progress on six of its key anchor projects in the first half of FY20. Following the imposition of travel restriction in response to the COVID-19 pandemic, there was a rapid reduction in flights and passenger numbers in early 2020 with international passengers reduced to near zero following country wide border restrictions. These unprecedented events demanded a swift response to manage the financial impact on Auckland Airport and our multi-billion dollar capital programme.

Like other businesses in the aviation sector, it quickly became apparent that COVID-19 would disrupt demand for a material period of time with capital likely to be in scarce supply at the very least in the short-term, but likely longer. As a result, it was necessary to re-evaluate and rebase the capital expenditure programme to reflect the lower demand environment, reduced financial capacity of the business and to ensure Auckland Airport was not building additional aeronautical capacity that was not forecast to be needed in the foreseeable future.

On 26 March 2020, Auckland Airport made an announcement to the market advising that, following a review, we were suspending a significant portion of our infrastructure programme. This affected projects across the board (regulated and unregulated) and resulted in the suspension/cancellation of the following projects: Domestic Jet Hub, International Arrivals expansion, Northern Runway, Park and Ride South, multi-storey carpark and the international terminal pick-up and drop-off area and Taxiway Mike, Lima and stands.

Auckland Airport remains conscious of the need to continue to invest in infrastructure, to ensure the ongoing delivery of our core airport activities and meet new requirements which might emerge in a post-COVID environment.

The effect of COVID-19 on international travel has created significant uncertainty for continued development. Auckland Airport has commenced a fulsome review of the trigger-based infrastructure plan to ensure that there is sufficient airfield, terminal and landside capacity available as the recovery unfolds. This involves overlaying the best available information to create the most sustainable pathway for realising the Masterplan over time, given likely demand recovery scenarios, regulatory requirements, constructability, together with an assessment of risks and opportunities.

We no longer forecast to invest the same level as intended at the outset of PSE3

Up until the point where the travel restrictions associated with COVID-19 were put in place, total PSE3 commissioned aeronautical assets were expected to be broadly equal to the original PSE3 pricing forecast for the five-year period. But COVID-19 disrupted everything, and airline stakeholders supported the decision to pause the investment plan.

In that context we are no longer targeting to deliver assets commissioned in line with the PSE3 pricing forecast. While disappointing, these decisions were understood and supported by our airline customers as a necessary and appropriate response given short term capacity surpluses in infrastructure, uncertainty around recovery and their own fiscal constraints.

We are now engaging with government agencies and airlines to adapt the infrastructure plan for the remainder of PSE3.

COVID-19 is one of the greatest risks faced by the aviation sector

Auckland Airport had no choice but to halt investment in response to the pandemic and incurred $69.6 million of one-off and unrecoverable operating costs associated with terminating aeronautical construction contracts, restoring impacted land and physical assets to a safe condition (make good costs) and the write-off of abandoned capital projects. These costs are a tangible example of the risks Auckland Airport faces when committing to long-term infrastructure requirements should economic conditions change as drastically as they have in FY20.

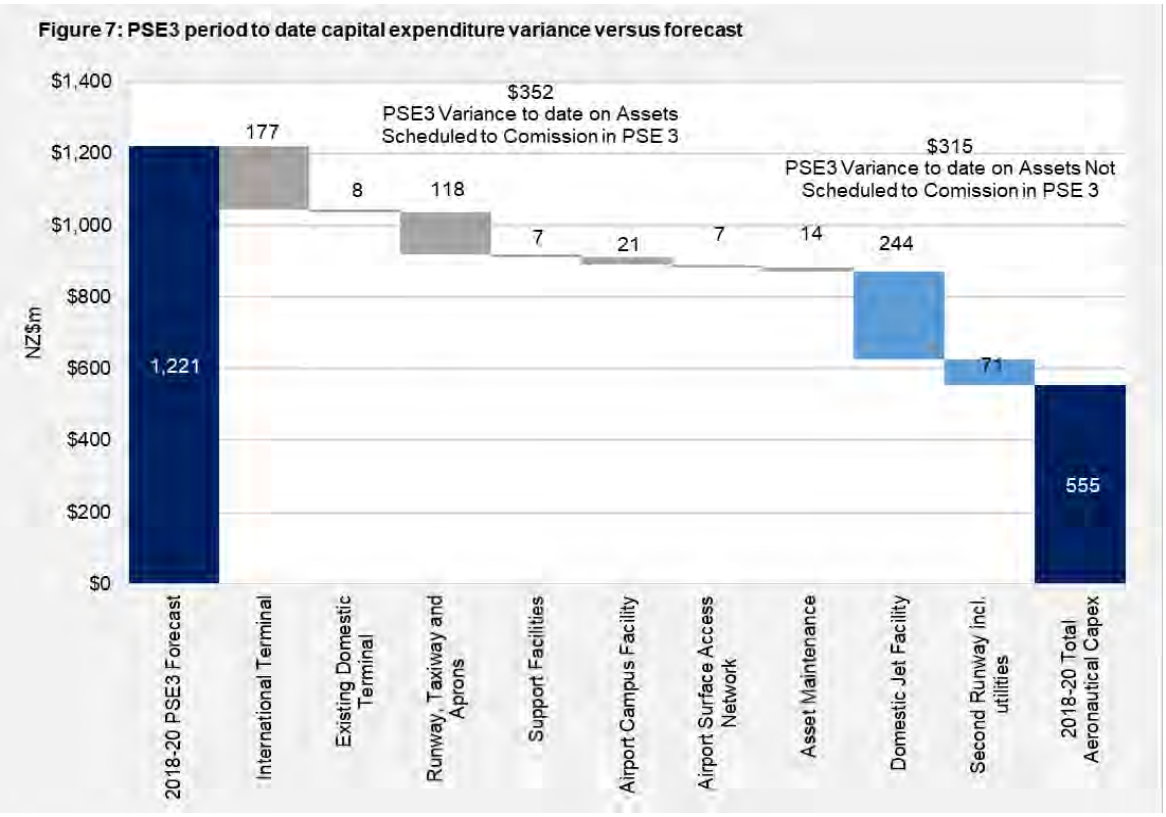
Capital expenditure – variance analysis

For the year to 30 June 2020, Auckland Airport invested $222m on regulated aeronautical infrastructure, $237m or 52% below the pricing forecast. For the three-year period of PSE3 to 30 June 2020, the regulated capital investment totaled $555m, 55% or $667m below the pricing forecast. This represents total gross capital expenditure including the circa $18m of capital project write-offs shown in schedule 4b(iv): Works Under Construction.

Auckland Airport's focus for the first two years of PSE3 was on the design and sequencing of the substantial aeronautical investment programme. In FY20, the third year of PSE3, six of the eight anchor projects had commenced. The scope of the $1 billion-plus Domestic Jet Hub domestic jet facility had been agreed with airlines, the delivery Alliance team announced, and works were scheduled to start in August 2020.

The suspension of the majority of the major aeronautical related projects has resulted in the $237m variance seen in FY20. The PSE3 period to date capital expenditure variance to forecast by programme is shown in the graph below. We note that the projects shown in grey were forecast to be commissioned within PSE3 and were therefore reflected in aeronautical prices for the period, while the items shown in light blue were forecast to be commissioned in PSE4 or later and were not included in PSE3 aeronautical prices or forecast returns. This is because aeronautical charges for PSE3 were based only on assets forecast to be commissioned and available for use in that period.

Figure 7: PSE3 period to date capital expenditure variance versus forecast



The table below provides explanations of material programme variances ($20m+) in Schedule 18 and represent 111% of the total variance in FY20 and 90% of the FY18-FY20 variance. The projects which were not forecast to commission in PSE3 (and hence not priced) are marked with an asterisk after the title in the following capex variance analysis section.

International Terminal	
Key Capital Project	**Commentary**
International Terminal (Arrivals)	
PSE3 actual to date: *$8,363k* *PSE3 variance to date:* *$(93,910)k* *FY20 variance:* *$(34,459)k*	**Project description and objectives** The objective of this programme is to provide a consistent journey time through the end-to-end international arrivals process. The largest project is the expansion of the MPI arrivals area. **Progress in PSE3** Ground was broken to commence the arrivals project, with major construction scheduled in the fourth quarter of FY20. However due to COVID-19, it was suspended until such time project triggers are met.
International Terminal (Airside Emigration & Dwell)	
PSE3 actual to date: $112,675k *PSE3 variance to date:* $40,123k *FY20 variance:* $835k	**Project description and objectives** The objective of this programme is to deliver airside capacity within the International Terminal building. This programme is dominated by two major projects in PSE3, the Level 1 expansion at the International Terminal building that completed in FY19, and Airside enabling for the "Wedge" a non-priced PSE3 project which was forecast to commence in FY22, but has now been deferred to PSE5. **Progress in PSE3** In FY19, the Phase 3 Level 1 expansion was completed. This project commenced in September 2015 and involved the refurbishment of a significant portion of the existing international terminal and a 36,000m^2 floor space extension. This was a difficult and complex project in the operational heart of a live terminal and included substantial structural work to upgrade the international departures experience to cater for future growth. It has also resolved legacy issues within the original building such as misaligned floor levels, building services and asbestos remediation. In FY20, the variance arose due to minor unplanned works relating the Phase 3 Level 1 development.
International Terminal (Pier and Connections)	
PSE3 actual to date: $57,949k *PSE3 variance to date:* $(118,337)k *FY20 variance:* $(41,729)k	**Project description and objectives** The objective of this programme is to provide additional stand and bus lounge capacity as well as improving the transit experience for transferring international services. **Progress in PSE3** To date this programme has delivered the Pier B expansion which involved the expansion of Pier B and delivered two new gated Code F MARS stands (17 & 18). This project was completed ahead of time and below budget. In FY19-20, activity was planned on a reconfiguration of Pier A to improve passenger experience at the ITB and a further expansion to Pier B to convert the remote Stand 19 into a Code F contact MARS stand. We are currently engaging with airlines and agencies on how COVID-19 has affected the terminal development pathway and how this affects priorities for Pier A and Pier B development in the short, medium and long-term.

Domestic Jet Facility (Integrated Facility (Phase 5)*	
PSE3 actual to date: $66,178k *PSE3 variance to date:* $(243,877)k *FY20 variance:* $(100,090)k	**Project Description and Objectives** The objective of this programme is to provide a staged pathway towards an integrated terminal facility capable of processing international and domestic passengers. The first deliverable on this pathway is to construct a new domestic pier adjacent to the current international terminal with common landside functions (e.g. check-in). **Progress in PSE3** As reported in the FY19 disclosure, this programme of works was significantly behind the original PSE3 forecasts as the scope of the DJF programme was proving to be significantly more challenging than anticipated primarily due to the range of stakeholder interests and construction complexity caused by the need to displace existing facilities and address legacy assets. Management had elected, with airline support, to increase the design time to ensure that the solution appropriately balances functionality, affordability, constructability and seeks to minimise the disruption to airlines and the travelling public through the transition period. By mid FY20 the scope of the $1 billion-plus Domestic Jet Hub domestic jet facility had been agreed with airlines, the delivery Alliance team announced, and works were scheduled to start in August 2020. Enabling works for this project were well advanced and contractors were about to be mobilised when the travel restrictions associated with COVID-19 were put in place. Shortly thereafter this project was suspended.

Runway, Taxiway and Aprons	
Runway, Taxiway and Aprons (Code F taxiway, stands and aprons)*	
PSE3 actual to date: $61,584k *PSE3 variance to date:* $41,105k *FY20 variance:* $47,098k	**Project Description and Objectives** The objective of this programme is to meet airfield capacity requirements through the construction of new stands, modifications to and extension of taxiway and taxilane infrastructure and the construction of new aprons capable of handling Code F aircraft. **Progress in PSE3** In FY20 the construction of an extension to Taxiways Lima and Mike to Pier B and the development of aprons, stands and taxilanes to the north of Pier B commenced. At the time of the imposition of travel restrictions associated with COVID-19, the project was progressing according to both budget and schedule. Activity on this project has been indefinitely suspended until such time as future demand triggers are met. Because this project was already in an established physical construction phase at the date of suspension significant termination and make good costs were incurred.
Runway, Taxiway and Aprons (Code B/C/E taxiway, stands and aprons (Phase 5)	
PSE3 actual to date: $ 59k *PSE3 variance to date:* $(152,712)k *FY20 variance:* $(83,163)k	**Project Description and Objectives** The objective of this programme is to meet airfield capacity requirements through the construction of new stands, an extension and modifications to taxiway and taxilane infrastructure and the construction of new aprons capable of handling Code B/C/E aircraft. The largest single project in PSE3 of this programme was the planned construction of 12 fully serviced Code C jet stands, 2 remote stands and associated apron infrastructure. **Progress in PSE3** Specific FY20 activity involved initiating preliminary design work for the new Code B Regional aircraft stands in the vicinity of the current Domestic Terminal. However, as referred to in the FY19 disclosure schedule the additional time required in finalising the detailed design of the DJH has prevented this programme of works progressing as planned. Costs to date of preliminary design for the DJH stands and aprons project are reported in the Domestic Jet Facility (Integrated Facility) programme as the design of both the terminal and airfield components of the DJH were undertaken by a single team due to the interconnectedness between the two projects. As with the Domestic Jet Facility programme, all activity on related airfield stands and aprons has been suspended. In FY19 the conversion of the former Engineering Services depot into regional aircraft stands was planned to be delivered. The demand trigger for this project was not met following Jetstar's decision to cease regional services.

Second Runway including utilities*	
PSE3 actual to date: $15,926k	**Project description and objectives** The aim of this programme is to deliver a step change in capacity and resilience through the development of a second runway parallel to and north of the existing runway. The specific objectives in PSE3 are to complete detailed design and, if the base case timing is confirmed following consultation, commence earthworks for the second runway.
PSE3 variance to date: $(70,910)k	**Progress in PSE3** Given the material cost, lead time and range of stakeholder interests associated with a new runway, Auckland Airport recognises that it is critical to make the right design, delivery timing and funding decisions. This was the focus of the programme pre-COVID-19. The completion of the Feasibility design in FY19 indicated that a single stage delivery of a full-length runway was the most viable and cost-effective solution. FY20 progressed the concept design for the second runway as well as developing designs and plans for ancillary projects including geotechnical investigations, environmental approvals, stormwater management and the removal of Mt Carr. Further development of the second runway has been suspended due to COVID-19.
FY20 variance: $(51,077)k	

Section 7: Segmented Information

Schedule 7 provides a segmental breakdown for the airport business of both the regulatory profit reported in Schedule 2 and the regulated asset base value reported in Schedule 1.

As mentioned in Section 4, CPI revaluations are only applied to aircraft and freight assets. No revaluations are applied to airfield and terminal assets (i.e. consistent with the moratorium on asset revaluations for aeronautical pricing).

As has been the case since well before the current economic regulation was put in place by the Commission in the early 2000s, aircraft and freight revenues have been determined by industry-standard commercial leasing arrangements directly negotiated with the tenants of our terminal buildings and other land and buildings that are situated close to the runway. With the ongoing agreement of our tenants, the prices for Aircraft and Freight and Terminal leases are not set every five years as part of the aeronautical pricing consultation process so as to achieve a particular target return over the next five years (as they are for the priced activities). In the first half of FY20 market benchmarks were reviewed and a number of leases re-negotiated. In the second half of FY20 a range of discounts were provided to customers recognising the significant impact the imposition of travel restrictions associated with COVID-19 was having on their businesses.

Section 8: Consolidation statement

Schedule 8 provides a consolidated view of the airport business regulatory income and expenses, reported in Schedule 2, reconciled to the airport business reported under Generally Accepted Accounting Principles (GAAP) and to the full company results inclusive of unregulated activities.

8.1 Depreciation

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

Another major factor for the difference is due to the revaluation policies required 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 between financial and regulatory reporting. In the 2020 financial year, the difference between the depreciation expense for regulatory and financial reporting purposes is again more pronounced than previous years due to the large amount of terminal development assets commissioned, revalued and depreciated during 2019 for financial reporting but not regulatory reporting. These assets only began depreciating for regulatory purposes this year.

8.2 Revaluations

The revaluations for the Airport businesses consist of a CPI roll-forward for aircraft and freight assets as at 30 June 2020 - consistent with the IM determination and Auckland Airport's pricing approach for PSE3. There are no revaluations for airfield and terminal assets in the regulatory accounts.

The statutory consolidated accounts include the revaluation movements on investment property ($168.6m increase), Land ($721.2m decrease), Infrastructure ($35.8m increase) and runway, taxiways and aprons ($39.7m increase) within the property, plant and equipment portfolio.

Buildings and services assets within the property, plant and equipment portfolio were not revalued in the statutory accounts at 30 June 2020. An analysis was completed that showed any differences between the current carrying value and fair value at 30 June 2020 was likely to be comfortably inside Auckland Airport's 10% policy.

The valuation approach for determining fair value of an asset under GAAP for statutory reporting is determined, where possible, by reference to market-based evidence such as sales of comparable assets. Where fair value of the asset is not able to be reliably determined using market-based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value. Assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value.

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. The regulatory disclosures do not recognise

deferred tax movements as a tax payable approach is adopted (per the IM determinations). The tax expense for the Airport Businesses also includes a notional interest deduction as calculated in Schedule 1(b)(i), whereas the GAAP tax expense reflects the actual interest revenue and expenses incurred.

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 assets held for future use, 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.

8.5 Total operating expenditure – write-offs, impairment and termination costs

At 30 June 2020, Auckland Airport recognised $117.5 million of fixed asset write-offs, impairment and termination costs under GAAP. Those costs related to capital expenditure projects that were terminated or suspended in response to COVID-19. Of those costs $105.8 million are included in 'Airport Business – GAAP'. However, only the write-offs and termination costs of $69.6 million are included in the regulatory profit under 'Airport Businesses', resulting in a $36.2 million 'regulatory/GAAP adjustment'.

The $69.6 million of write-offs and termination costs, included in operating expense for the Airport Businesses, are also disclosed in sections 2.1 and 6.1 and are comprised of:

- $51.7 million for project termination costs which had not been previously forecast or recognised in capital projects. Therefore, those costs were expensed immediately; and
- $17.9 million related to write-offs where expenditure had previously been incurred against projects that are no longer expected to be commissioned into the RAB. Therefore, $17.9 million has also been deducted from works under construction as described in section 4.5.

There are no 'regulatory/GAAP adjustments' to be disclosed in relation to these costs.

The aeronautical impairment costs of $36.2 million are recognised under GAAP due to the uncertainty about whether all projects will be completed and commissioned to the RAB. However, for regulatory purposes, the impairments have been excluded from regulatory operating costs on the basis that they are unrealised and may reverse in future for any projects that are completed and commissioned. Accordingly, the projects also remain in works under construction and will only be written-off for regulatory purposes if a decision is made to abandon a project.

The impairment costs are disclosed as 'regulatory/GAAP adjustments' of $36.2 million in Schedule 8.

Section 9: Asset Allocations

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

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; and

(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.

Section 10: Cost Allocation

There has been no material change from prior year cost allocations.[7]

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 per bullets (4) and (5);

(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 within 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;

[7] Classifications of operating costs were updated in FY18 to improve comparability to Wellington and Christchurch airports.

(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 are 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 operating costs 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; and

(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) roadways are apportioned 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, curbside and footpaths) have been given regulatory codes, in most cases reflecting the location and primary usage 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 roadways 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; and.

(j) second, 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).

Section 11: Reliability Measures

11.1 Reliability

Auckland Airport's passenger numbers continued to increase in the early years of PSE3, before the significant reduction in passenger volumes due to the COVID-19 pandemic. Through PSE3 the reliability of Auckland Airport's services has generally remained at high levels. The interruptions to runway, taxiways, stands, airbridges, baggage systems and ground power units have continued to be minimal in relation to the service availability of these assets.

However, during the year there were two interruptions to the runway which were of a longer than normal duration. As a result, Auckland Airport brought forward the planned replacement work of slabs in the touchdown zone of runway 23L, taking advantage of the reduced airfield activity caused by COVID-19. Using the carefully considered "displaced threshold" approach (i.e. by temporarily shortening the runway) minimized the impact on runway interruptions.

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 readers, an alternative way to view this reliability information is to consider the proportion of the time that the material service is available. For the year ended 30 June 2020, the percentage of time that Auckland Airport's material services were available were as follows:

Services	Availability
Runway	99.970%
Taxiway	100.000%
Remote stands and means of embarkation/disembarkation	100.000%
Contact stands and air-bridges	99.975%
Baggage sortation system on departures	99.950%
Baggage reclaim belts	100.000%

11.2 Interruptions

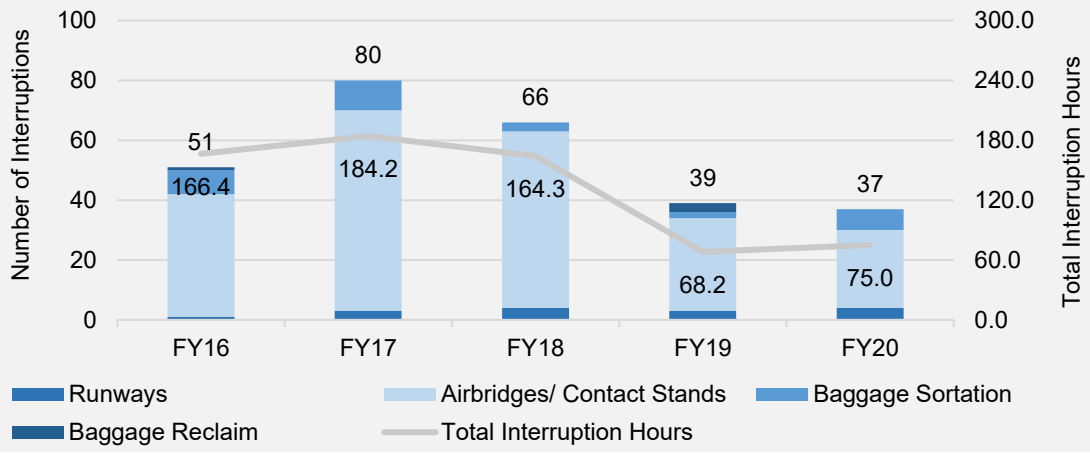
Auckland Airport captures and records outages to its services through its fault management system. Each outage that occurs is evaluated by Management to determine whether it meets the criteria for a reportable interruption. The assessment is undertaken in accordance with "Appendix C: Reliability Conditions for Disclosure" of the Information Disclosure (Airport Services) Reasons Paper published by the Commission on 22 December 2010. 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; and
- baggage reclaim belts.

As shown in the chart below, there were 37 reportable interruptions in FY20, down 5% on the prior

year and 54% on 2017, the final year of PSE2. The number of interruption hours increased by 10%

Figure 8: Interruption Count and Duration



from 2019 but remain significantly below (59%) the 2017 equivalent.

Details of interruptions for each material service are discussed in the following sections.

11.3 Runway performance

In FY20, there were four runway interruptions of more than 15 minutes with a total length of 158 minutes. Each of these interruptions was unplanned, requiring further maintenance on the runway to address pavement defects within the 23L 'touchdown zone'. Two of these interruptions (in January and February 2020) were longer than the normal duration for an unplanned runway interruption. Refer table below for details of each interruption:

Date	Time Closed	Time open	Duration
2 August	19:28	19:55	27 min
27 October	16:05	16:20	15 min
24 January	12:34	13:14	40 min
6 February	14:32	15:48	76 min
		Total:	158 min

Auckland Airport is a single runway airport and therefore maintenance is challenging to execute while remaining operational. For this reason, several steps were implemented in the year to improve runway integrity including:

- a second weekly 3-hour maintenance closure was introduced in October 2019;
- increased frequency of runway pavement monitoring and inspections;
- increased heavy weight deflectometer testing to proactively identify defects under the pavement surface;
- increased sweeping of the runway to minimise possible FOD risk;
- repositioning of repair equipment airside to minimise repair time; and
- ongoing process improvements to map defects and track of status of faults.

Slab replacement programme

Originally planned for later in PSE3, replacement of 280 concrete slabs in the runway 23L touchdown zone was accelerated following consultation with airlines, who agreed with the merits of taking advantage of the reduced long-haul traffic to shorten the operational length of the runway (using a "displaced threshold") and complete maintenance works on the eastern touchdown zone. The period of works ran from 25 May 2020 to 17 August 2020.

To further improve runway resilience, in FY20 we worked to bring forward the next major runway maintenance project by completing the safety case for works on 05R - the western touchdown zone of the runway. This project is scheduled for construction over November and December 2020.

11.4 Taxiway performance

There were no interruptions relating to taxiways in FY20.

During the runway 23L slab replacement project, taxiways A1A, A1, A2 and A3A were closed and alternative taxiway pathways provided for ongoing operations.

11.5 Contact stands and airbridge performance

There were no interruptions to remote stands in FY20.

During FY20 there were 26 interruptions to contact stands and air-bridges, causing 13 OTD delays. This represents a 16% reduction in the number of interruptions and a 50% reduction in OTD delays versus the prior year. Of the total, Auckland Airport was responsible for 19 interruptions and 9 OTD delays.

Airbridge interruptions totaled 51 hours, up 50% from 34 hours in FY19, down 68% from 157 hours in FY18. Auckland Airport was responsible for 35 hours of those interruptions, similarly up by 52% from 23 hours in FY19, down 75.6% from 144 hours in FY18. 17 out of the 51 hours of airbridge interruptions were due to 2 outages in January. The two outages occurred on a Friday and Saturday respectively, and were repaired on the following week. The two outages had low impact on operations.

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 increased condition assessments to prevent air-bridge outages and to ensure that Auckland Airport continues to deliver high quality services to its customers.

To reduce the level of airbridge interruptions, initiatives were undertaken towards minimising faults by progressively replacing older components. Replacements in FY20 include:

- 8 canopies;
- 7 sets of vertical ball screws; and
- 10 pairs of airbridge wheels

11.6 Baggage sortation

There were seven interruptions to the baggage sortation system in FY20, up by five from the prior year. All baggage sortation outages were unplanned. However, the duration of the interruptions decreased to 22 hours, five hours less than the previous year. Auckland Airport was responsible for five of these interruptions.

Two interruptions were caused by outages related to the SITA Bag Message Service for Baggage Source Message (BSM). Baggage for flights was required to be sorted using fallback sortation tags. Plans to migrate hosts using these older legacy devices were expedited and have since been

completed.

The remaining five interruptions which Auckland Airport was responsible for consisted of mechanical failures to key infrastructure including the conveyor, a belt tear and a roller security door. The remaining two were related to the system management and operation during peak periods. Further training scheme has been set up to improve system management experience to minimise future disruption.

11.7 Baggage Reclaim

There were no baggage reclaim related interruptions in FY20.

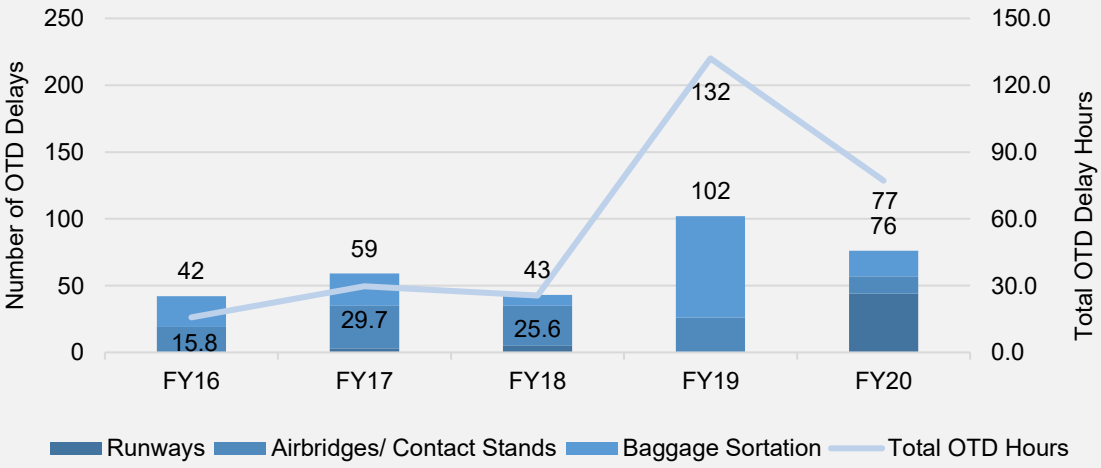
11.8 On-time departure delays

The ID Determination defines 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.

OTD delays relating to interruptions have been captured in the fault management system. All OTD delays that are visible to the apron tower are logged in the system. Management conduct regular reviews to ensure that OTD 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 OTD delay information, by making it easier to determine whether a flight was on-schedule or off-schedule.

There were 76 OTD delays totaling 77 hours in FY20, down 55 hours or 42% on the prior year. Of these, Auckland Airport was responsible for 69 OTD delays totaling 73 OTD hours.

Figure 9: OTD Delay Count and Duration



The table below outlines the breakdown of the OTD count and OTD duration by responsible party for each material service.

	Airport responsibility		Airlines / other responsibility	
Asset category	Flight delay #	OTD hours	Flight delay #	OTD hours
Runway	44	61.7	-	-
Baggage sortation	16	6.3	3	1.7
Contact stand / Airbridge	9	5.0	4	2.7
Total	69	73.1	7	4.3

Runway outages account for 80% of the OTD duration in FY20. This is because runway outages result in delays for all departing flights during the runway outages as well as flights scheduled to depart shortly after the outages ends.

11.9 Fixed electrical ground power units

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 FEGP's were available 99.8% in FY20, an increase on 98.6% from the prior year.

To ensure these outages remains at a low level, two ground power units (15L and 16L) were replaced this year as a part of the programme to progressively replace older assets.

Section 12: Capacity utilisation indicators for aircraft, freight and airfield activities

The reported runway description in these disclosures is consistent with the description that Auckland Airport reports in the Aeronautical Information Publication (AIP). The declared capacity remains the same as in FY20, i.e. 45 movements per hour, under visual meteorological conditions. This reduces to 38 movements per hour in instrument meteorological conditions, when a greater separation is applied, and 22 movements per hour in fog.

There are periods of the day where Airways and Auckland Airport can achieve greater movements per hour than what is reported in this schedule. However, aircraft movement rates exceeding the declared capacity are not sustainable for extended periods.

In FY20, Auckland Airport's international aircraft movements fell by 21% and domestic movements were also down by 23% reflecting the impact of travel restrictions put in place to mitigate the impact of COVID-19 from March 2020.

Work continues as part of the airport capacity enhancement forum (ACE) to educate crews to reduce runway occupancy time. Trials have also been completed by Airways, increasing the arrivals movement rate in visual conditions. These trials have produced successful results and Airways is now investigating ways to automate changes to the arrivals movement rate.

Section 13: Capacity utilisation indicators for specified passenger terminal facilities

General comments on terminal capacity utilisation

Auckland Airport regularly reviews the capacities of its key airport infrastructure against capacity trigger points and carefully balances the utilisation of its existing assets with the development of new airport infrastructure. In this regard, Auckland Airport pursues innovation 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 asset lifetime. This is complemented by well-established practices for exploring process efficiency solutions prior to additional capital expenditure.

The COVID-19 pandemic resulted in the swift suspension of the majority of the key anchor projects at Auckland Airport, including the domestic jet hub, the international arrivals expansion project and the northern taxiways and stands project.

As part of our Respond, Recover and Accelerate strategy we have kicked off a process to develop a trigger-based infrastructure plan in consultation with airlines and agencies. A key feature of this will be to invest in technologies and processes that enable recovery within the current footprint, including consideration of any new regulatory or health requirements brought on by this pandemic. In anticipation of a safe air corridor being formed between New Zealand and the Cook Islands, we have been preparing to separate different categories of travellers as they pass through the international terminal.

13.1 Key insights

International Terminal

*C*heck-in

The traditional check-in counters at the international terminal continued to be at full capacity during peak hours - pre-COVID-19. As a result, over the last three years Auckland Airport has been encouraging greater uptake by airlines of check-in kiosk technology and the manned bag drop product, also known as the two-step check-in process. This two-step process provides up to 20% additional check- capacity and has allowed Auckland Airport process increasing passenger numbers in the peak hours. As at 30 June 2020, 11 airlines totaling approximately 75% of eligible international departing customers were utilizing check-in kiosk technology.

In preparation for the return of travel demand, and in line with Auckland Airport's masterplan, the focus in the next three to five years will be to continue to invest in future check-in technologies and processes to unlock check-in processing capacity. This optimisation exercise could potentially minimise expensive future terminal expansion which will in turn provide value for money to the airlines and to the travelling public.

Arrivals

Pre COVID-19, inbound biosecurity screening was operating at full capacity during peak hours. The pinch points for inbound processing are the three in-bound bio-security processes (risk assessment, x-ray, and search).

Greater collaboration between Auckland Airport and Biosecurity New Zealand has continued to deliver an improved experience for customers during FY20 by providing a more seamless experience

for travellers during busy periods, particularly the summer peak. By sharing data unique to each organisation, the partnership has been able to simulate and test scenarios involving high traveller numbers, allowing for improved future resource planning.

Auckland Airport will continue to work with Biosecurity New Zealand using the scenario planning tool in the coming years to minimise potential impact to the customer journey in the current operational space as it gears up for the return of travel demand in the form of COVID-19 Safe Travel Zone.

Service levels in this area is significantly impacted by whether airlines arrive on or off schedule.

Domestic Terminal

In FY19 and in the first half of FY20, Auckland Airport optimised the internal layout of the domestic terminal landside circulation space to assist with better passenger flow between the check-in, landside food court, and the security screening areas.

13.2 Floor space

There were no significant changes in floor space in FY20 at the International Terminal – Outbound, International Terminal – Inbound, nor at the Domestic Terminal.

Section 14: Passenger satisfaction indicators

14.1 General comments

Auckland Airport's primary independent measure of passenger satisfaction is the Airport Service Quality Survey (ASQ). Auckland Airport also obtains real time feedback through kiosks located throughout the terminals. Auckland Airport's ability to obtain real time feedback from surveys and touch screen kiosks has been impacted by COVID-19 and as a result this section only reports part year data on passenger satisfaction. The exemption for Q4 of FY20 can be found on the Commission's website.

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 traveler interviews. A copy of the field work requirements can be found on Auckland Airport's website located at: https://corporate.aucklandairport.co.nz/news/publications/regulatory-disclosures.

Traveler responses to each question in the ASQ survey are gathered according to a five-point scale as follows:

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 which gives a statistically significant result (by contrast the quarterly sample does not). However, in FY20 a three-quarter rolling average has been used as quarter four data was not obtained due to disruption associated with COVID-19. Overall, the surveys have a margin of error, therefore, as a general principle, year on year score changes of less than 5% are deemed statistically insignificant. In addition, some key indicator scores are sensitive to seasonality reflecting the timing of holidays and passenger volumes which may affect the weighted average scores for FY20.

Auckland Airport has also chosen a group of airports with comparable features from the ASQ survey to benchmark our performance. Most of these peer airports are key destinations from Auckland and are subject to capital disciplines and of a similar size of 10-25 million travelers.

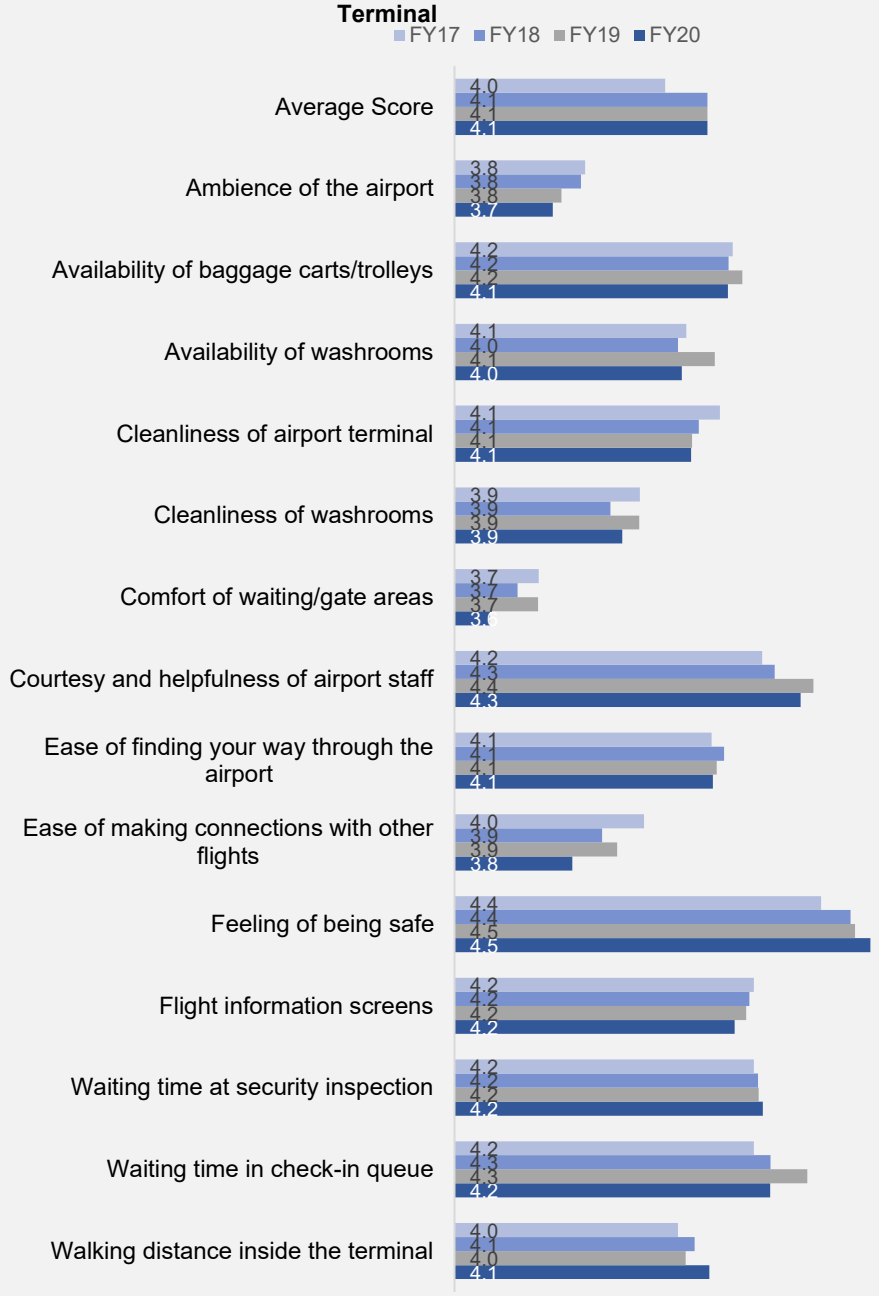
Each quarter Auckland Airport undertakes a detailed review of the survey scores. The results are fed into business activities and process improvement initiatives. For regulatory purposes the Commission requires us to report on 14 indicators that are specific to the domestic passenger journey and 15 key indicators that are specific to the international passenger journey.

14.2 Domestic terminal

Despite the age of the domestic terminal and the construction works that occurred during FY20 customers continued to rate the domestic terminal highly – with an average ASQ score of 4.1 out of 5 in FY20, consistent with FY19.

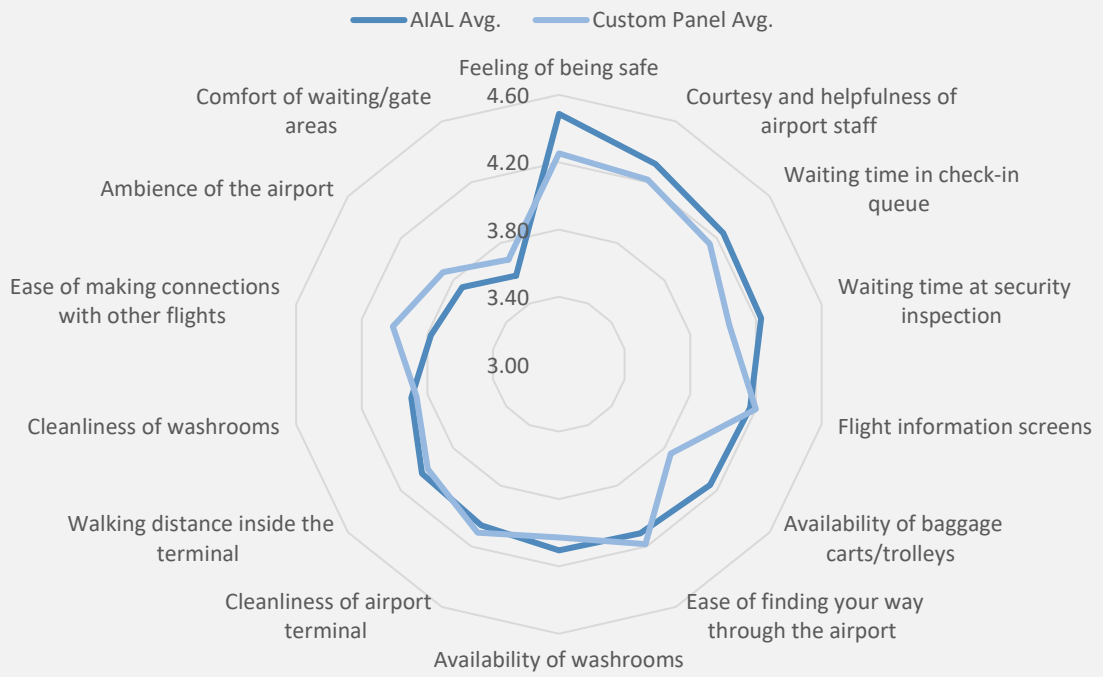
Shown below are the Domestic Terminal's 14 regulated indicator scores.

Figure 10: Time series of Airport Service Quality Scores - Domestic Terminal



The Domestic Terminal performed relatively well against our international benchmarks in FY20. The graph below compares Auckland Airport's ASQ scores in the Domestic Terminal to the score average of our peer group of 24 airports. The graph shows that Auckland Airport outperformed the panel on several categories particularly on "Feeling of being safe", "Wait time at security inspection" and "Availability of baggage carts/trolleys". The relative underperformance on "Ease of making connections with other flights" is a notable drawback of our separate domestic and international terminals and is a key consideration for future customer terminal development.

Figure 11: FY20 Airport Service Quality Benchmarking - Domestic Terminal



In addition to the quarterly ASQ surveys, Auckland Airport also monitors customer experience hourly using customer feedback kiosks. Four kiosks have been situated in the domestic terminal since FY17 with two in the arrival baggage area and two in the departure bathrooms. Guests are now able to use these devices to rate their experience in real time and select the reasons for dissatisfaction if they rate a service poorly. These four kiosks have in total collected 101,000 individual responses. Overall score of the Domestic Terminal measured by this system remained steady on the previous year at 4.0 out of 5.

Over the year, we still received over 10,000 comments on areas for attention or improvement. Results are fed back to the front-line staff allowing issues to be remedied as quickly as possible.

14.3 International terminal

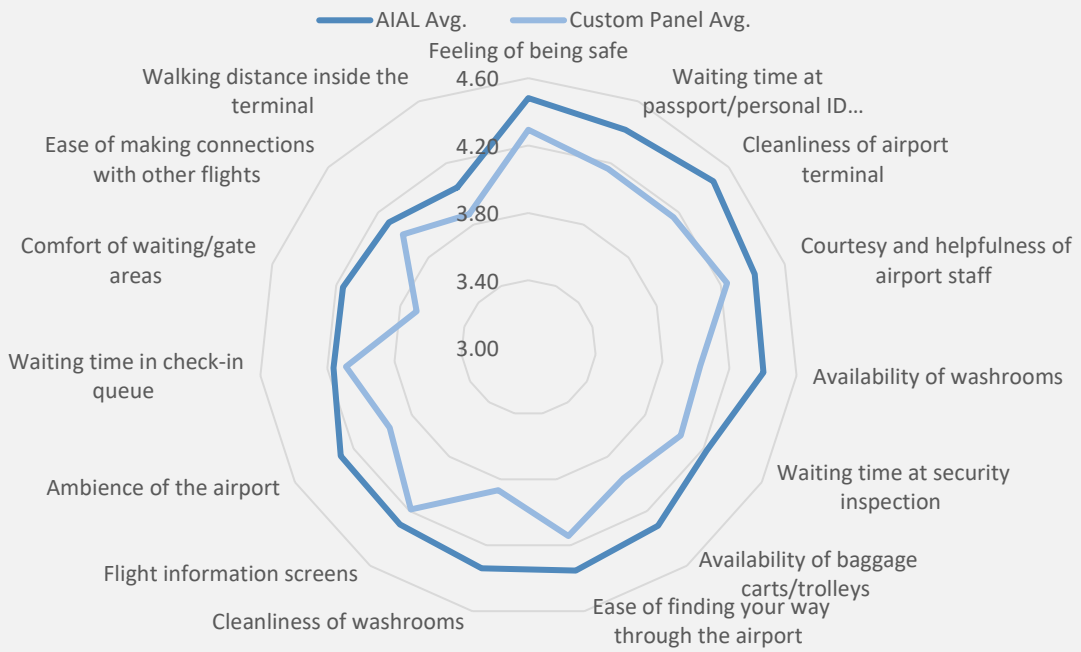
A large number of meaningful improvements occurred in FY20, primarily on Pier A with the addition of new family-friendly food and beverage stores and a new children's playground. FY20 was the first full year of operation of the new international outbound emigration and dwell space. Overall, the average ASQ score increased from 4.1 in FY19 to 4.2 out of 5 in FY20.

Figure 12: Time series of Airport Service Quality Scores - International Terminal

Out of the 15 indicators, 12 scored higher than the previous year and 2 remained at the same level. Noticeable improvements reflected increased focus on the 'Guest Promise' philosophy guiding front line airport staff, improved contract management around cleaning, more frequent inter-terminal bussing and increased utilisation of mobile check-in kiosks. Waiting times at passport control and security were slightly less favourable in FY20.

Relative to our peer airports the international terminal service standard continues to benchmark well. As the chart below demonstrates, the average scores exceed the benchmark panel across all areas by a noticeable margin.

Figure 13: FY20 Airport Service Quality Benchmarking - International Terminal



Real-time customer feedback is also collated from 17 customer feedback kiosks located throughout the International Terminal including bathrooms, baggage hall, departure gates and dwell areas both landside and airside. In FY20 385,000 individual responses were collected.

Details of projects and initiatives to enhance the passenger journey can be found in the next section.

The health and safety of our customers also remained a top priority of our daily operation and we were pleased to reduce our passenger injury rate by 5.9% year on year across our operation for FY20.

Section 15: Operational improvement processes

In FY20 Auckland Airport continued to invest in operational improvement processes to provide enhance system performance and improve quality services to our customers. With the imposition of travel restrictions to mitigate the effects of COVID-19, our focus necessarily shifted mid-year to crisis recovery mode.

Below are a details of aeronautical investment projects that Auckland Airport was able to complete in FY20.

15.1 Enhancing system performance

Pre-security Gates

In FY20 Auckland Airport worked together with Avsec to introduce 12 eGates at international departures to scan boarding passes and manage access to security areas. Replacing the need for physical boarding pass inspection, the eGates provide a touchless self-service security process. Two gates are configured to include biometric authentication to enable a future seamless customer journey from check-in to aircraft boarding. These touchless experiences can help with safety, efficiency, provide a better guest experience and enhance the protection of Customs Controlled Areas within the airport.

Runway performance, planning and resilience

Auckland Airport is a single runway airport and therefore maintenance is challenging to execute while remaining operational. Refer to Section 11.3 for a summary of the initiatives implemented in the year to improve runway integrity.

Baggage system enhancements

In FY20 we shifted our outsourced baggage system management to a performance-based model to incentivise better reliability outcomes. This switch in supplier has coincided with improvements in baggage system reliability. We also commenced planning for FY21 priorities including:

- working with Avsec to plan to accommodate new regulatory requirements to change X-ray screening technology;
- tuning and capacity enhancements; and
- high and low-level control replacements.

Airbridge replacement

In FY20 we replaced Airbridge One at the International Terminal, which has improved passenger safety and service levels as part of the onboarding process.

Radio Network Upgrade

FY20 saw Auckland Airport's radio network upgraded from an analogue network to a digital one. The analogue network was at the end of its life for vendor support and the radio frequency used was phased out for commercial use in December 2019 as per a directive from The Ministry of Business, Innovation and Employment. This switch provided an opportunity to not only modernise Auckland Airport's radio communications, but to also improve the security, reliability and resilience of the network.

15.2 Customer Experience

In FY20, over and above the delivery of major infrastructure we have continued to rollout smaller improvements to ensure travelers have safe and enjoyable journeys.

Guest promise

In FY20 our Guest Promise and Principles continued to be rolled out across the business with three levels of competency training available to staff to help them deliver these principles. All front-line staff are fully competent, having been coached to a level of Mastery. With the onset of COVID-19, we have commenced a piece of work to understand how the social distancing and related requirements to help stop the spread of the virus affects the delivery of our principles. In FY21, we will roll out a programme of works to have the Guest Promise Available to our 3rd party contractors and border agencies to embed in their businesses where appropriate.

Dedicated express lane pathway through departures processing

In FY20, BARNZ, Auckland Airport, New Zealand Customs and Avsec worked together to extend the dedicated express lane pathway for premium passengers from its initial trial of four airlines to 15 airlines.

APOC lite

The Auckland Airport Operations and Performance Delivery team again trialed the Airport Operations Centre (APOC) lite model over the 10 peak days of NW19 between 0500-2000 each day to meet the operations demand and also to provide management of unforeseen risks that may occur over this period. APOC lite involves co-locating all airport operational stakeholders to jointly work on operational risks and performance including data sharing and early response. APOC light will help inform the future APOC build and it is seen that the APOC light model will continue over all peak periods.

There have also been daily stand up sessions with the Joint Border Agencies over peak periods. This joint stand up meeting covers risk, resource and demand. Value is realised by sharing information early and collaboratively working together to optimise operations in busy periods.

Safe Border Group

From the outset of the COVID-19 crisis, Auckland Airport has led a programme of work to consider how safe passenger connections could be created between New Zealand and other low-risk countries. Recognising that safe passenger travel would be crucial for its recovery, Auckland Airport and the Australia New Zealand Leadership Forum worked to bring together health experts and airline, airport and border agencies from both sides of the Tasman to develop new guidelines and protocols.

The Safe Border Group united 40 business and government representatives. Its recommendations for safely reopening the air border have since been presented to the governments of both countries to assist their decision making.

15.3 Health and Safety

Corporate health and safety

In FY20, Auckland Airport continued to focus on the safety and wellbeing of our employees, creating a workplace culture that supports people to stay well, both physically and mentally. We continued training and reporting around Health and Safety outcomes. This resulted in:

- proactive attitudes and increased staff engagement relating to safety reflected in the number of

safety observations and hazards reported, which increased 89% year on year;
- a 72% decrease in the number of recordable injuries (lost time, medical treatment and restricted work) amongst our people, in comparison to the previous year.

Contractor safety initiatives

In FY20, we introduced new Health & Safety Contractor forums where Auckland Airport, contractors and industry experts shared ideas, initiatives and knowledge across all areas of health and safety. We also reviewed and consolidated our critical health and safety risks. The proactive attitudes and increased engagement relating to safety were reflected in the number of safety observations and hazards reported, and the decline in employee injury and passenger incident rates.

Airport Emergency Service (AES) initiatives

Key initiatives undertaken by AES in FY20 included:

- Implementation of a discrete emergency frequency to enable direct emergency contact between pilots and rescue fire teams. Auckland Airport was the national lead on this project.
- Implementation of digital inspections across equipment and critical vehicle fleet for accountability and to maximise asset performance.
- COVID-19 patient interaction and contact tracing app developed for Airport Emergency staff attending medical callouts.
- Airport Emergency station separation measures to maximise physical distancing to minimise COVID-19 risk amongst the Airport Emergency Services teams.

Section 16: Associated statistics: Demand and FTEs

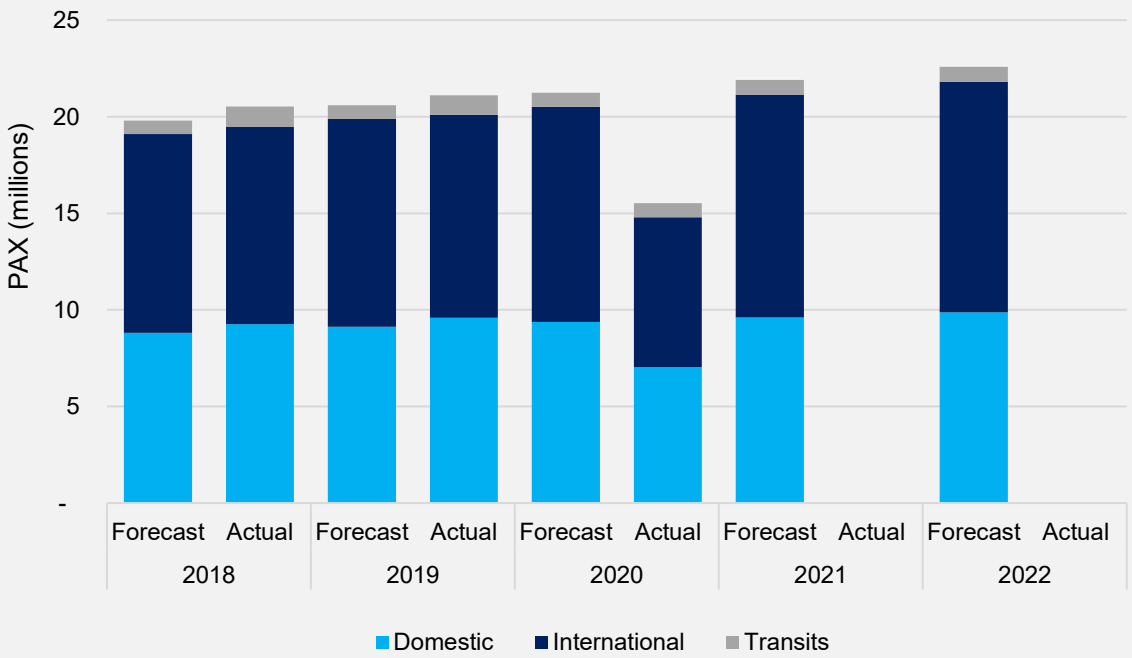
16.1 Passenger demand

Sustainably growing Auckland Airport's air connectivity supports New Zealand's tourism and trade ambitions and creates greater consumer choice.

When setting prices, Auckland Airport develops a robust central forecast understanding we must manage our operating costs and capital expenditure in the event tourism and trade volumes are materially different to that forecast during the period. Until the unprecedented COVID-19 crisis, passenger volumes had been broadly tracking the PSE3 forecast. It is now clear that the actual five-year volumes will be substantially lower than forecast.

The table below summarises actual passenger volumes versus those forecast when prices were set:

Figure 14: Auckland Airport Passenger Movements - Actual vs. Price Setting Disclosure



International

Compared to forecasts at the time of pricing, international passenger growth for PSE3 period to date has been - 7.4%, compared to a forecast growth of 4.7% for the same period.

International passenger numbers decreased by 26.4% in FY20 reflecting the part year impact of the travel restrictions imposed by the New Zealand Government in response to the COVID-19 outbreak. Prior to this, key changes in air connectivity were:

- Air New Zealand launched a new direct Auckland-Seoul service in November 2019;
- Air Canada launched a new direct Auckland-Vancouver service in December 2019; and
- improved frequency of service to the Pacific Islands

The global outbreak of COVID-19 had a significant impact on the last four months of FY20. Airlines began reducing services in February 2020 in response to the first travel restriction imposed by the

New Zealand Government on foreign nationals travelling or transiting to and from mainland China. The closure of the New Zealand border to all but New Zealand citizens and permanent residents from 20 March 2020 had an immediate and significant effect on aeronautical capacity for Auckland Airport. Airlines suspended or drastically reduced their services with international passenger numbers in the final quarter of FY20 down 97.1% on FY19. Figure 1 in Section 1 provides a comparison of monthly passengers compared to FY19.

*Domes*tic

Compared to forecasts at the time of pricing domestic passenger growth for PSE3 period to date performance has been - 6.4%, rather than the 3.5% growth forecast for the same period.

Domestic passenger numbers decreased by 26.5% or 2,546,517 passengers in FY20 reflecting the impact of the travel restrictions imposed in response to COVID-19. The first eight-month period to February 2020 saw domestic passenger numbers tracking slightly below FY19, driven by airline capacity reductions on main trunk routes and Jetstar's withdrawal from regional services in December 2019.

Following the global outbreak of COVID-19, reductions in domestic services were announced in February 2020. Further reductions occurred once domestic air travel was restricted to essential services only while New Zealand was under Alert Level 4 and Alert Level 3 lockdown over a period of seven weeks from 26 March 2020 to 13 May 2020. Non-essential air travel was permitted again when New Zealand entered Alert Level 2 on 14 May 2020. However, airlines were required to physically distance passengers on board the aircraft which meant that approximately 40% of domestic seat capacity operating was unsellable. On 9 June 2020 all domestic air travel restrictions were lifted when New Zealand entered Alert Level 1. Domestic capacity will continue to be impacted when New Zealand moves up Alert Levels and air travel is restricted, as was the case when Auckland re-entered Alert Level 3 on 12 August 2020 with the rest of New Zealand re-entering Alert Level 2.

16.2 Aircraft movement statistics

The table below outlines aircraft movements and MCTOW in FY20 compared to FY19.

	2020	2019	**Change**
Aircraft movements			
International aircraft movements	44,962	57,082	(21.2)%
Domestic aircraft movements	94,175	121,689	(22.6)%
Total aircraft movements	**139,137**	178,771	(22.2)**%**
MCTOW (tonnes)			
International MCTOW	4,669,929	5,894,112	(20.8)%
Domestic MCTOW	1,830,711	2,372,412	(22.8)%
Total MCTOW	**6,500,640**	8,266,524	(21.4)**%**

Compared to forecasts at the time of pricing, PSE3 period to date performance for MCTOW is as follows:

- total MCTOW of 22,906,881 tonnes is 2,227,699 tonnes or 9.0% below the price setting disclosure forecast; and

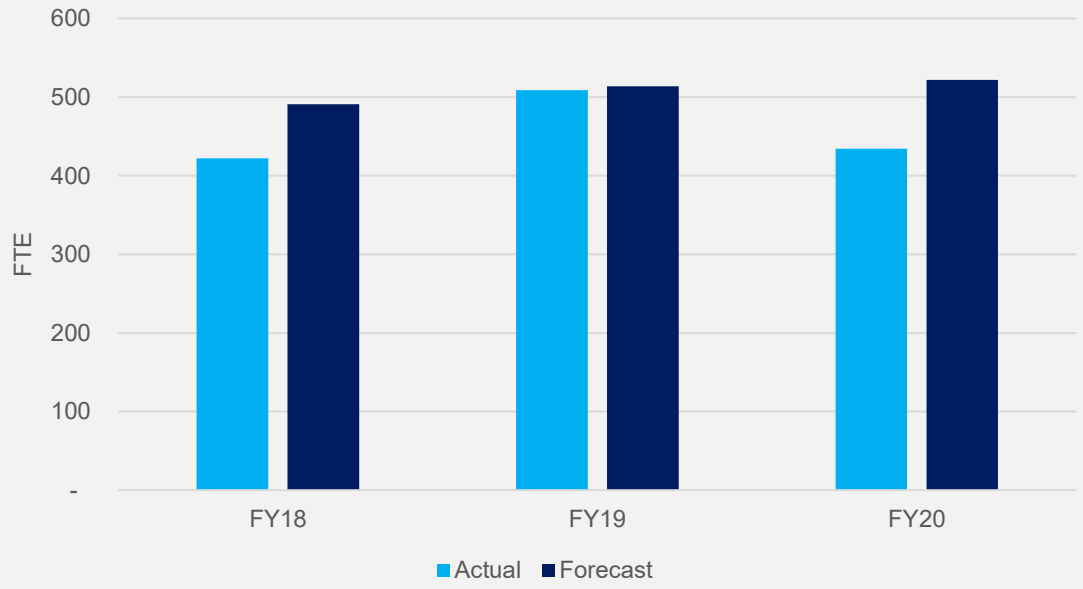
- international MCTOW period to date is 10.3% below forecast and domestic MCTOW period to date is 5.7% below forecast.

Total aircraft movements in FY20 decreased 22.2%, while MCTOW decreased 21.4% reflecting the reduction in both international and domestic air services as a result of the travel restrictions imposed in response to the COVID-19 pandemic.

16.3 Human resource statistics

Following a significant scaling up of the business in FY19 to support the unprecedented infrastructure pipeline, COVID-19 led to massive changes across our business, including to resourcing. Restructuring was incomplete as at financial year end.

Figure 15: Auckland Airport total FTE count



The total full-time equivalent employees (FTE) of the regulated aeronautical business were 369 for FY20, 40 FTEs or 11% less than FY19. There were changes across the whole organisation in response to COVID-19. The team most affected in the early stages of the COVID-19 response were the Infrastructure team which lost 17 FTEs in addition to contracting staff.

Section 17: Pricing Statistics

Together with the aviation industry, which relies on tourism, we have a strong interest in ensuring the total cost of travel including airport costs, border agencies and government taxes does not affect the competitiveness of New Zealand's offer on the international stage. At the same time, we have an interest in ensuring that users pay for the services that they utilise, they see value in this, there is sufficient capacity in the system and that the incentives exist for us to continue to invest in infrastructure.

Consumers might be interested in comparing Auckland Airport's charges in figures 16 and 17 to other non-Auckland airport costs in the system (levied by the various border agencies). For example:

- Avsec's passenger security charges of $11.98 excl GST per departing international passenger and $6.28 per departing domestic passenger;
- the border clearance levy of $14.93 excl GST for arrivals (covers MPI and Customs border activity) is about the same as our average international terminal passenger charges; and
- the new tourist levy introduced from 1 July 2019 of $35 per passenger is approximately $12 more than our average total international aeronautical charges per passenger.

The levels of invested capital and resource differ for each service provider and is not obviously reflected in the relativity of prices.

Consumers can be confident that the charges set by Auckland Airport have been subject to thorough review via our five yearly aeronautical price setting process. A review by the Commission resulted in Auckland Airport revising its charges post the initial price setting event with discounted charges taking effect from 1 July 2019. The schedule of discounted standard charges is available on our website (www.aucklandairport.co.nz).

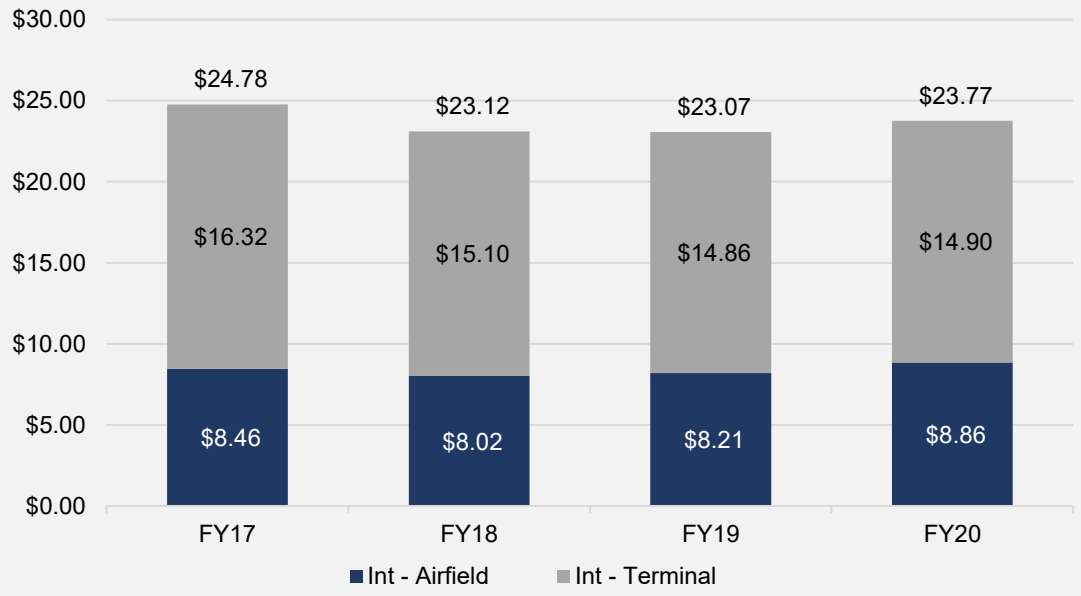
All airport charges are collected from airlines and form part of their cost of operations (i.e. there are no charges directly payable by passengers to the airport). Actual charges per passenger can vary depending on the mix of passengers travelling and the type of aircraft flown.

17.1 International

Auckland Airport's international charges benchmark around the middle of the pack of comparator international airports that connect to Auckland via a direct flight. At the time of price setting we forecasted that effective international charges per passenger would increase by 0.1% per annum in nominal terms. After applying the discounts, the effective forecast reduction is 0.7% per annum in nominal terms.

As the following chart illustrates, average international charges per passenger relating to both airfield and passenger terminal activities have decreased on average by -1.4% for the period to date to $23.77 per passenger.

Figure 16: Average Charges per Passenger - International

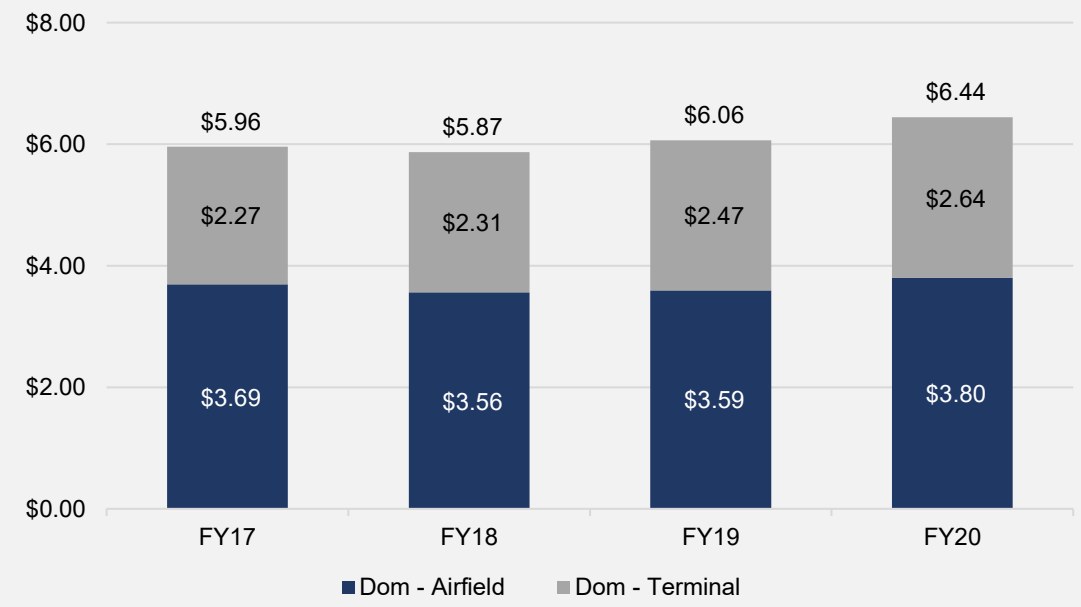


NB: Average charges are impacted by changes in mix of aircraft and load factors since COVID-19.

17.2 Domestic

Domestic charges per passenger were forecast to increase by 1.8% per annum in nominal terms over the 5-year period of PSE3. As set out below, the actual average domestic charge per passenger has increased by a Compound Annual Growth Rate of 2.6% for the period to date to $6.44 per passenger reflecting the physically distancing requirement imposed during the year reducing the number of passengers on board an aircraft.

Figure 17: Average Charges per Passenger - Domestic



NB: Average charges are impacted by changes in mix of aircraft and load factors since COVID-19.

Airport Services Information Disclosure Requirements
Information Templates
for
Schedules 1–17, 25

Company Name	Auckland International Airport Limited
Disclosure Date	30 November 2020
Disclosure Year (year ended)	30 June 2020
Pricing period starting year (year ended)	30 June 2018

Templates for schedules 1–17, 25 (Annual Disclosure)
Version 5.0. Prepared 13 June 2019

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 2020
Pricing period starting year (year ended)	30 June 2018

SCHEDULE 1: REPORT ON PROFITABILITY

ref *Version 5.0*

1a: Internal Rates of Return

	Actual for Current Disclosure Year	Forecast for Current Disclosure Year	Variance
Post-tax IRR - pricing period to date (%)	6.31%	7.80%	(1.49%)
Post-tax IRR - current year (%)	(0.46%)	6.18%	(6.64%)

1a(i): Pricing Period to Date IRR

($000 unless otherwise specified)

		Actual for Period to Date	Forecast for Period to Date	Variance
	Opening RAB	1,187,257	1,244,584	(57,328)
	Opening carry forward adjustment	82,510	82,510	–
	Opening investment value	1,104,747	1,162,074	(57,328)
plus	Total regulatory income	971,926	1,037,215	(65,289)
less	Assets commissioned	468,190	967,079	(498,889)
plus	Asset disposals	883	–	883
less	Operational expenditure	441,515	363,469	78,046
less	Unlevered tax	115,197	123,449	(8,251)
	RAB value	1,485,783	2,005,604	(519,821)
	Closing carry forward adjustment	84,654	84,654	–
	Closing investment value	1,401,129	1,920,950	(519,821)
	Post-tax IRR for pricing period to date (%)	6.31%	7.80%	(1.49%)

1a(ii): Current Year Annual IRR

($000 unless otherwise specified)

		Actual for Current Disclosure Year	Forecast for Current Disclosure Year	Variance
	Opening RAB	1,502,486	1,743,808	(241,322)
	Opening carry forward adjustment	83,940	83,940	–
	Opening investment value	1,418,547	1,659,869	(241,322)
plus	Total regulatory income	275,795	352,322	(76,527)
less	Assets commissioned	43,605	340,771	(297,166)
plus	Asset disposals	883	–	883
less	Operational expenditure	199,129	127,281	71,848
less	Unlevered tax	23,116	36,093	(12,977)
	RAB value	1,485,783	2,005,604	(519,821)
	Closing carry forward adjustment	84,654	84,654	–
	Closing investment value	1,401,129	1,920,950	(519,821)
	Post-tax IRR for current year (%)	(0.46%)	6.18%	(6.64%)

Explanation of variances

Consistent with clause 2.3(8), this explains the variance in the Post-tax IRR for pricing period to date and includes explanations for variances disclosed in Schedule 1, 2, 4 and 6 that have a material impact on the variance in the Post-tax IRR for pricing period to date.

Refer to Disclosure Commentary Note 1.

Regulated Airport	Auckland International Airport Limited
For Year Ended	30 June 2020
Pricing period starting year (year ended)	30 June 2018

SCHEDULE 1: REPORT ON PROFITABILITY (cont)

ref *Version 5.0*

	1b: Actual IRR Inputs	Pricing Period Starting Year 30 June 2018	Pricing Period Starting Year + 1 30 June 2019	Pricing Period Starting Year + 2 30 June 2020	Pricing Period Starting Year + 3 30 June 2021	Pricing Period Starting Year + 4 30 June 2022
73	Opening RAB	1,187,257	1,411,886	1,502,486	1,485,783	–
74	Opening carry forward adjustment	82,510	83,225	83,940	84,654	–
75	Opening investment value	1,104,747	1,328,661	1,418,547	1,401,129	–
77	Total regulatory income	338,359	356,925	276,642		
78	Assets commissioned - 1st month	6,466	88,686	6,816		
79	Assets commissioned - 2nd month	6,387	2,951	–		
80	Assets commissioned - 3rd month	46,799	192	4,334		
81	Assets commissioned - 4th month	5,715	6,552	1,252		
82	Assets commissioned - 5th month	110,497	1,644	–		
83	Assets commissioned - 6th month	9,966	11,647	1,104		
84	Assets commissioned - 7th month	1,618	2,904	(0)		
85	Assets commissioned - 8th month	41,924	65	1,792		
86	Assets commissioned - 9th month	773	9,509	10,560		
87	Assets commissioned - 10th month	1,845	850	12,141		
88	Assets commissioned - 11th month	13,708	909	3,799		
89	Assets commissioned - 12th month	38,974	14,003	1,806		
90	Asset disposals	–	–	883		
91	Operational expenditure	116,701	125,685	199,129		
92	Unlevered tax	43,574	48,507	23,116		
94	RAB value	1,411,886	1,502,486	1,485,783		
95	Closing carry forward adjustment	83,225	83,940	84,654		
96	Closing investment value	1,328,661	1,418,547	1,401,129	–	–
98	Post-tax IRR - pricing period to date (%)	9.85%	9.74%	6.31%	(68.16%)	(68.16%)

1c: Carry Forward Balance

		Actual	Forecast	Variance
102	Opening carry forward adjustment	83,940	83,940	–
104	Default revaluation gain/loss adjustment			–
105	Risk allocation adjustment			–
106	Other carry forward adjustment – forecast	715	715	–
107	Other carry forward adjustment – not forecast			–
109	Closing carry forward adjustment	84,654	84,654	–

Commentary on Carry forward balance

Refer to Disclosure Commentary Note 1.

1d: Cash flow timing assumptions

		flow timing assumption
122	Cash flow timing - revenues - days from year end	148
123	Cash flow timing - expenditure - days from year end	182

Regulated Airport For Year Ended: **Auckland International Airport Limited** — **30 June 2020**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

ref *Version 5.0*

2a: Regulatory Profit

($000 unless otherwise specified)

ref			Actual	Forecast	Variance
7	**Income**				
8		Airfield	100,649	127,450	(26,801)
9		Passenger Service Charge	133,025	189,414	(56,389)
10		Check-In	4,518	3,308	1,210
11					
12		Lease, rental and concession income	35,612	28,320	7,292
13		Other operating revenue	2,838	3,830	(992)
14		Net operating revenue	276,642	352,322	(75,680)
15					
16		Gains / (losses) on sale of assets	(847)	–	(847)
17		Other income		–	
18		Total regulatory income	275,795	352,322	(76,527)
19	**Expenses**				
20		Operational expenditure:			
21		Corporate overheads	32,073	30,447	1,626
22		Asset management and airport operations	150,346	81,733	68,613
23		Asset maintenance	16,710	15,100	1,610
24		Total operational expenditure	199,129	127,281	71,848
25					
26	**Operating surplus / (deficit)**		76,666	225,041	(148,375)
27					
28		Regulatory depreciation	59,527	79,092	(19,565)
29					
30	*plus*	Indexed revaluation	1,104	1,813	(709)
31	*plus*	Periodic land revaluations	–	–	–
32		Total revaluations	1,104	1,813	(709)
33					
34	**Regulatory Profit / (Loss) before tax**		18,243	147,762	(129,519)
35					
36	*less*	Regulatory tax allowance	25,434	36,093	(10,659)
37					
38	**Regulatory Profit / (Loss)**		(7,191)	111,669	(118,860)
39					

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2020**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT (cont)

ref *Version 5.0*

($000 unless otherwise specified)

2b: Notes to the Report

2b(i): Financial Incentives

		($000)
Pricing incentives	6,336	
Other incentives	3,298	
Total financial incentives		9,634

2b(ii): Rates and Levy Costs

	($000)
Rates and levy costs	3,053

2b(iii): Merger and Acquisition Expenses

	($000)
Merger and acquisition expenses	–

Justification for Merger and Acquisition Expenses

Refer to Disclosure Commentary Note 2.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref *Version 5.0*

3a: Regulatory Tax Allowance

ref					($000)
7		Regulatory profit / (loss) before tax			18,243
8					
9	*plus*	Regulatory depreciation	59,527		
10		Other permanent differences—not deductible	69,599	*	
11		Other temporary adjustments—current period	13,238	*	
12					142,364
13					
14	*less*	Total revaluations	1,104		
15		Tax depreciation	52,809		
16		Notional deductible interest	8,279		
17		Other permanent differences—non taxable	–	*	
18		Other temporary adjustments—prior period	7,579	*	
19					69,771
20					
21		Regulatory taxable income (loss)			90,836
22					
23	*less*	Tax losses used	–		
24		Net taxable income			90,836
25					
26		Statutory tax rate (%)	28.0%		
27		Regulatory tax allowance			25,434
28					
29		Notional interest tax shield	2,318		
30		Unlevered tax			23,116

* *Workings to be provided*

3b: Notes to the Report

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

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

Refer to Disclosure Commentary Note 3.

3b(ii): Tax Depreciation Roll-Forward

ref			($000)
48		Opening RAB (Tax Value)	991,236
49	*plus*	Regulatory tax asset value of additions	40,835
50	*less*	Regulatory tax asset value of disposals	758
51	*plus*	Regulatory tax asset value of assets transferred from/(to) unregulated asset base	–
52	*less*	Tax depreciation	52,809
53	*plus*	Other adjustments to the RAB tax value	(3,770)
54		Closing RAB (tax value)	974,734

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

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

3b(iv): Deductible Interest and Interest Tax Shield

ref		
63	RAB value - previous year	1,502,486
64	Debt leverage assumption (%)	19%
65	Cost of debt assumption (%)	2.90%
66	Notional deductible interest	8,279
67	Tax rate (%)	28.0%
68	Notional interest tax shield	2,318

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

ref | Version 5.0

		($000)	Actual ($000)	Forecast ($000)	Variance ($000)
	RAB value—previous disclosure year		1,502,486	1,743,808	(241,322)
less	Regulatory depreciation		59,527	79,092	(19,565)
plus	Total revaluations		1,104	1,813	(709)
plus	Assets Commissioned		43,605	340,771	(297,166)
less	Asset disposals		883	1,696	(813)
plus	Lost and found assets adjustment		(1)	–	(1)
	Adjustment resulting from cost allocation		(1,001)	–	(1,001)
	RAB value †		1,485,783	2,005,604	(519,821)

		Unallocated RAB * ($000)	Unallocated RAB * ($000)	RAB ($000)	RAB ($000)
	RAB value—previous disclosure year		1,800,788		1,502,486
less					
	Regulatory depreciation		72,752		59,527
plus					
	Indexed revaluations	1,104		1,104	
	Periodic land revaluations	–		–	
	Total revaluations		1,104		1,104
plus					
	Assets commissioned (other than below)	57,677		43,504	
	Assets acquired from a regulated supplier	–		–	
	Assets acquired from a related party	134		101	
	Assets commissioned		57,811		43,605
less					
	Asset disposals (other)	687		645	
	Asset disposals to a regulated supplier	–		–	
	Asset disposals to a related party	265		238	
	Asset disposals		952		883
plus	**Lost and found assets adjustment**		25		(1)
	Adjustment resulting from cost allocation				(1,001)
	RAB value †		1,786,024		1,485,783

** 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.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

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

ref *Version 5.0*

($000 unless otherwise specified)

4b: Notes to the Report

4b(i): Regulatory Depreciation

	Unallocated RAB ($000)	RAB ($000)
Standard depreciation	72,752	59,527
Non-standard depreciation	–	–
Regulatory depreciation	72,752	59,527

4b(ii): Non-Standard Depreciation Disclosure

($000 unless otherwise specified)

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): Calculation of Revaluation Rate and Indexed Revaluation of Fixed Assets

($000 unless otherwise specified)

CPI at CPI reference date—previous year (index value)	1,032
CPI at CPI reference date—current year (index value)	1,047
Revaluation rate (%)	1.45%
Asset category revaluation rates	
Land	0
Sealed Surfaces	0
Infrastructure and buildings	0
Vehicles, plant and equipment	0

Revaluations	Unallocated RAB		RAB	
Land	400		400	
Sealed Surfaces	–		–	
Infrastructure and buildings	703		703	
Vehicles, plant and equipment	1		1	
Indexed revaluation		1,104		1,104

4b(iv): Works Under Construction

		Unallocated works under construction		Allocated works under construction	
	Works under construction—previous disclosure year		130,451		116,975
plus	Capital expenditure	268,249		222,276	
less	Write-offs	21,097		17,923	
less	Asset commissioned	57,811		43,605	
plus	Adjustment resulting from cost allocation				1,686
	Works under construction		319,792		279,408

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

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

ref | Version 5.0

4b(v): Capital Expenditure by Primary Purpose

ref				
101		Capacity growth	190,163	
102	plus	Asset replacement and renewal	32,113	
103		Total capital expenditure		222,276

4b(vi): Asset Classes

ref			Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
106		RAB value—previous disclosure year	364,478	244,869	839,514	53,625	1,502,486
107	less	Regulatory depreciation	4	9,646	35,567	14,310	59,527
108	plus	Indexed revaluations	400	–	703	1	1,104
109	plus	Periodic land revaluations	–				–
110	plus	Assets commissioned	101	2,839	27,027	13,638	43,605
111	less	Asset disposals	238	473	199	(27)	883
112	plus	Lost and found assets adjustment	(0)	27	(27)	0	(1)
113	plus	Adjustment resulting from cost allocation	19	539	(3,417)	1,858	(1,001)
114		RAB value	364,756	238,155	828,033	54,839	1,485,783

** Corresponds to values in RAB roll forward calc*

4b(vii): Assets Held for Future Use

ref			($000)	($000)	
117		Assets held for future use opening cost—previous year		345,127	
118	plus	Holding costs	22,584		
119	less	Assets held for future use net revenue	(1,387)		
120	plus	Assets held for future use additions	10,731		
121	less	Assets held for future use disposals	186		
122	less	Transfers to works under construction	–		
123		Assets held for future use closing cost		379,643	
125		Opening base value		157,207	
126	plus	Assets held for future use revaluations	(51)		
127	plus	Assets held for future use additions	10,731		
128	less	Assets held for future use disposals	186		
129	less	Transfers to works under construction	–		
130		Closing base value		167,702	
132	plus	Opening tracking revaluations	13,291		
133		Tracking revaluations	13,240		
134		Highest rate of finance applied (%)			6.62%

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

ref *Version 5.0*

5(i): Related Party Transactions

	($000)
Net operating revenue	–
Operational expenditure	5,867
Related party capital expenditure	16,586
Market value of asset disposals	714
Other related party transactions	(5,798)

5(ii): Entities Involved in Related Party Transactions

Entity Name	Related Party Relationship
Auckland Council	Auckland Council is a significant shareholder of Auckland International Airport, with a shareholding in excess of 18 percent. 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, wastewater and compliance services from Watercare, a 100% subsidiary of Auckland Council. One of Auckland Airport's directors was also a director of Watercare but subsequent to year end has resigned from their Watercare directorship. 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 subject to this information disclosure regime.
Fulton Hogan	One of Auckland Airport's directors is also a director at Fulton Hogan. Auckland Airport incurs costs relating to engineering services / works provided by Fulton Hogan. All transactions were on an arms-length commercial basis, without special privileges.
Other - key management personnel	Key management personnel.
Other - Auckland International Airport Marae Ltd	Two members of Auckland Airport's senior management team are on the board of Auckland International Airport Marae Ltd. No fees were paid in relation to these appointments.

5(iii): Related Party Transactions

Entity Name	Description of Transaction	Average Unit Price ($)	Value ($000)
Auckland Council (Operational expenditure)	Rates paid by Auckland Airport to Auckland Council for the regulated business	N/A	2,562
Auckland Council (Operational expenditure)	Compliance, consent fees and other government regulatory obligations	N/A	29
City Park Services (Operational expenditure)	Grounds maintenance for the regulated business	N/A	1,411
Fulton Hogan (Operational expenditure)	Engineering services for the regulated business	N/A	276
Watercare (Operational expenditure)	Water, wastewater and compliance services for the regulated business	N/A	1,589
Auckland Council (Capital expenditure)	Compliance, consent fees and other government regulatory obligations	N/A	207
Fulton Hogan (Capital expenditure)	Engineering services for the regulated business	N/A	16,379
Auckland Airport non-regulated business (Asset disposal)	Transfer of 3,917 sqm of land (previously in the regulated asset base as ITB space) to the non-regulated asset base (as part of investment property land relating to the Pullman Hotel). This land has been transferred in accordance with clause 1.4(3) of the Information Disclosure Determination for assets disposed of to a related party.	68	265
Auckland Airport non-regulated business (Asset disposal)	Transfer of 4,705 sqm of land (previously held for future use in the regulated asset base) to the non-regulated asset base (as part of investment property land relating to the Foodstuffs development). This land has been transferred in accordance with clause 1.4(3) of the Information Disclosure Determination for assets disposed of to a related party.	95	449
Auckland Airport non-regulated business (Other transactions)	Transfer of 2,409 sqm of investment property land at Uenuku Way in to the regulated asset base, with the land now used for airport office space. The land was transferred to AHFU per clauses 3.9(1)(e) and 3.9(4) of the Input Methodolgies Determination.	(56)	(134)
Auckland Airport non-regulated business (Other transactions)	Transfer of 8,665 sqm of investment property land adjacent to George Bolt Memorial Drive to assets held for future use, identified to be necessary for aeronautical use. The land was transferred to AHFU per clauses 3.9(1)(e) and 3.9(4) of the Input Methodolgies Determination. In 2020, this site will be utilised for the Airport's roading network.	N/A	(10,536)
Key management personnel (Other transactions)	Remuneration of directors	N/A	1,087
Key management personnel (Other transactions)	Remuneration of the senior management team	N/A	3,767

37	Auckland International Airport Marae Ltd (Other transactions)	Maintenance and occupancy costs for the regulated business	N/A	18

38 **Commentary on Related Party Transactions**

39 Refer to Disclosure Commentary Note 5.

Regulated Airport
For Year Ended

Auckland International Airport Limited
30 June 2020

SCHEDULE 6: REPORT ON ACTUAL TO FORECAST PERFORMANCE

ref *Version 5.0*

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	190,163	422,721	(55.0%)	473,858	1,080,000	(56.1%)
Asset replacement and renewal	32,113	36,408	(11.8%)	80,740	141,381	(42.9%)
Total capital expenditure	222,276	459,129	(51.6%)	554,598	1,221,381	(54.6%)
Corporate overheads	32,073	30,447	5.3%	76,419	86,947	(12.1%)
Asset management and airport operations	150,346	81,733	83.9%	316,841	233,401	35.7%
Asset maintenance	16,710	15,100	10.7%	48,254	43,121	11.9%
Total operational expenditure	199,129	127,281	56.4%	441,514	363,469	21.5%
Key Capital Expenditure Projects						
International Terminal (Check in, Outbound Baggage & Landside Dwell)	2,017	6,403	(68.5%)	12,651	19,448	(35.0%)
International Terminal (Airside Emigration & Dwell)	1,537	702	119.1%	112,675	72,552	55.3%
International Terminal (Pier and Connections)	1,296	43,025	(97.0%)	57,949	176,285	(67.1%)
International Terminal (Arrivals)	7,403	41,862	(82.3%)	8,363	102,273	(91.8%)
Ground Transport Centre / Plaza - Aeronautical elements (Ground Transport Centre / Plaza - Aeronautical elements)	4,298	584	635.3%	4,298	2,257	90.4%
Integrated Facility (Domestic Jet Facility (Phase 5))	38,403	138,494	(72.3%)	66,178	310,055	(78.7%)
Existing Domestic Terminal (Extension of Life)	9,883	11,814	(16.3%)	14,823	23,109	(35.9%)
Runway, Taxiway and Aprons (Code F Taxiway, Stands and Aprons)	50,102	3,004	1,567.9%	61,584	20,479	200.7%
Runway, Taxiway and Aprons (Code B/C/E taxiway, stands and aprons (Phase 5))	26	83,189	(100.0%)	59	152,771	(100.0%)
Runway, Taxiway and Aprons (Airfield Utilities)	17,932	4,711	280.7%	23,233	32,042	(27.5%)
Runway, Taxiway and Aprons (Flexible contingent runway)	1,700	–	Not defined	2,909	–	Not defined
Support Facilities (Business Technology)	5,892	3,741	57.5%	15,198	12,382	22.7%
Support Facilities (Acoustic Mitigation)	1,030	1,772	(41.9%)	4,273	5,091	(16.1%)
Support Facilities (AD&D Support Projects)	12,713	7,126	78.4%	16,996	18,840	(9.8%)
Support Facilities (Airport Emergency Services)	748	–	Not defined	2,730	11,240	(75.7%)
Support Facilities (Marketing Customer Service and Communications)	286	591	(51.6%)	1,040	1,778	(41.5%)
Support Facilities (Corporate)	2,396	1,203	99.2%	5,562	3,537	57.3%
Airport Campus Utilities (Utilities - Stormwater)	–	2,300	(100.0%)	–	5,412	(100.0%)
Airport Campus Utilities (Utilities - Water & Wastewater)	27	5,975	(99.5%)	1,980	14,321	(86.2%)
Airport Campus Utilities (Utilities - Power - LV and HV Power)	15	1,373	(98.9%)	15	3,126	(99.5%)
Airport Surface Access Network (Terminal Roads)	5,940	9,316	(36.2%)	15,178	24,440	(37.9%)
Airport Surface Access Network (Arterial and Other Roads)	22,679	11,008	106.0%	42,483	40,620	4.6%
Asset Maintenance (Slab Replacement and Runway Works)	13,437	9,451	42.2%	25,585	27,153	(5.8%)
Asset Maintenance (Airbridge Refurbishment)	1,123	1,654	(32.1%)	2,548	4,752	(46.4%)
Asset Maintenance (Business as Usual)	14,634	12,120	20.7%	38,100	37,538	1.5%
Second Runway incl Utilities (Second Runway incl Utilities)	6,113	57,190	(89.3%)	15,926	86,836	(81.7%)
Other capital expenditure	647	520	24.3%	2,262	13,044	(82.7%)
Total capital expenditure	222,276	459,129	(51.6%)	554,597	1,221,381	(54.6%)

Explanation of Variances

Please refer Disclosure Commentary Note 6.

Airport businesses are to provide explanations of material variances between actual and forecast expenditure.

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

Regulated Airport For Year Ended: **Auckland International Airport Limited** — **30 June 2020**

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

Version 5.0

6b: Forecast Expenditure

From most recent disclosure following a price setting event

Starting year of current pricing period (year ended): 30 June 2018

Expenditure by Category	for year ended	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
Capacity growth		247,551	409,728	422,721	499,410	544,606
Asset replacement and renewal		57,904	47,069	36,408	38,125	42,894
Total forecast capital expenditure		305,455	456,797	459,129	537,535	587,501
Corporate overheads		27,204	29,295	30,447	31,587	32,868
Asset management and airport operations		73,027	78,641	81,733	84,793	88,230
Asset maintenance		13,492	14,529	15,100	15,665	16,300
Total forecast operational expenditure		113,722	122,465	127,281	132,045	137,398

Key Capital Expenditure Projects	for year ended	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
International Terminal (Check in, Outbound Baggage & Landside Dwell)		11,915	1,129	6,403	36,309	109,960
International Terminal (Airside Emigration & Dwell)		51,002	20,848	702	–	0
International Terminal (Pier and Connections)		78,194	55,066	43,025	0	0
International Terminal (Arrivals)		20,163	40,248	41,862	119	15,638
Ground Transport Centre / Plaza - Aeronautical elements (Ground Transport Centre / Plaza - Aeronautical elements)		1,138	535	584	15,841	29,198
Integrated Facility (Domestic Jet Facility (Phase 5))		35,854	135,708	138,494	176,562	139,691
Existing Domestic Terminal (Extension of Life)		–	11,295	11,814	–	–
Runway, Taxiway and Aprons (Code F Taxiway, Stands and Aprons)		11,345	6,130	3,004	61,304	120,282
Runway, Taxiway and Aprons (Code B/C/E taxiway, stands and aprons (Phase 5))		5,481	64,100	83,189	94,618	–
Runway, Taxiway and Aprons (Airfield Utilities)		8,675	18,656	4,711	1,172	1,223
Runway, Taxiway and Aprons (Flexible contingent runway)		–	–	–	–	–
Support Facilities (Business Technology)		5,064	3,577	3,741	3,906	6,017
Support Facilities (Acoustic Mitigation)		1,625	1,694	1,772	1,850	1,931
Support Facilities (AD&D Support Projects)		4,901	6,813	7,126	7,441	7,764
Support Facilities (Airport Emergency Services)		793	10,447	–	–	–
Support Facilities (Marketing Customer Service and Communications)		623	565	591	617	644
Support Facilities (Corporate)		1,184	1,150	1,203	1,256	1,310
Airport Campus Utilities (Utilities - Stormwater)		678	2,434	2,300	1,544	716
Airport Campus Utilities (Utilities - Water & Wastewater)		2,115	6,230	5,975	1,688	1,283
Airport Campus Utilities (Utilities - Power - LV and HV Power)		305	1,449	1,373	3,010	–
Airport Surface Access Network (Terminal Roads)		7,507	7,617	9,316	7,323	1,962
Airport Surface Access Network (Arterial and Other Roads)		11,413	18,198	11,008	12,336	27,166
Asset Maintenance (Slab Replacement and Runway Works)		8,666	9,036	9,451	9,869	10,297
Asset Maintenance (Airbridge Refurbishment)		1,517	1,581	1,654	1,727	1,802
Asset Maintenance (Business as Usual)		14,262	11,157	12,120	12,027	11,767
Second Runway incl Utilities (Second Runway incl Utilities)		11,270	18,377	57,190	85,778	95,605
Other capital expenditure		9,767	2,757	520	1,237	3,247
Total forecast capital expenditure		305,455	456,797	459,129	537,535	587,501

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

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

ref *Version 5.0*

6c: Actual to Forecast Adjustments - Items Identified in Price Setting Events

Proposed risk allocation adjustment	Units used	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	Estimated present value of the proposed risk allocation adjustment ($000)
[Proposed adjustment 1]				Not defined			Not defined	
[Proposed adjustment 2]				Not defined			Not defined	
[Proposed adjustment 3]				Not defined			Not defined	
[Proposed adjustment 4]				Not defined			Not defined	
[Proposed adjustment 5]				Not defined			Not defined	
[Proposed adjustment 6]				Not defined			Not defined	
[Proposed adjustment 7]				Not defined			Not defined	
[Proposed adjustment 8]				Not defined			Not defined	
[Proposed adjustment 9]				Not defined			Not defined	

*include additional rows if needed

Total proposed risk allocation adjustments: –

Explanation of how the airport produced the estimated present value of each proposed risk allocation adjustment

Refer to Disclosure Commentary Note 6.

Airport Companies must provide a brief explanation of how the airport produced its estimated present value for each risk allocation adjustment specified in rows 111-119.

* Disclosure year Pricing Period Starting Year .

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref *Version 5.0*

($000)

	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*
Airfield	–	100,649	–	100,649
Passenger Service Charge	133,025	–	–	133,025
Check-In	4,518	–	–	4,518
0	–	–	–	–
Lease, rental and concession income	17,684	411	17,517	35,612
Other operating revenue	835	626	1,377	2,838
Net operating revenue	156,062	101,686	18,894	276,642
Gains / (losses) on asset sales	(103)	(699)	(45)	(847)
Other income	–	–	–	–
Total regulatory income	155,959	100,987	18,849	275,795
Total operational expenditure	109,326	83,425	6,378	199,129
Regulatory depreciation	37,836	19,538	2,153	59,527
Total revaluations	–	–	1,104	1,104
Regulatory tax allowance	9,350	12,872	3,212	25,434
Regulatory profit/ loss	(553)	(14,848)	8,210	(7,191)
RAB value	753,087	651,431	81,265	1,485,783

** 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 2020**

SCHEDULE 8: CONSOLIDATION STATEMENT

Version 5.0

8a: CONSOLIDATION STATEMENT

		Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business– GAAP	Unregulated Activities– GAAP	($000) Airport Company– GAAP
	Net income	275,795	847	276,642	288,599	565,241
	Total operational expenditure	199,129	36,206	235,335	71,367	306,702
	Operating surplus / (deficit) before interest, depreciation, revaluations and tax	76,666	(35,359)	41,307	217,232	258,540
less	Depreciation	59,527	19,038	78,565	34,126	112,691
plus	Revaluations	1,104	(27,380)	(26,276)	149,045	122,769
less	Tax expense	25,434	(13,569)	11,865	17,584	29,449
	Net operating surplus / (deficit) before interest	(7,191)	(68,208)	(75,399)	314,567	239,169
	Property plant and equipment	1,485,783	1,726,552	3,212,335	2,848,429	6,060,745

8b: NOTES TO CONSOLIDATION STATEMENT

8b(i): REGULATORY / GAAP ADJUSTMENTS

Description of Regulatory / GAAP Adjustment	Affected Line Item	($000) Regulatory / GAAP Adjustments *
Net income is higher under Regulatory (vs GAAP) due to the Regulatory gain on disposals value.	Net income	847
The regulatory/GAAP adjustment of $36.2 million relates to the Airport Business GAAP portion of $39.7 million of capital project impairments reported in the annual report. The impairments have not been recognised for regulatory purposes as they are unrealised and may reverse in future periods. These differ from capital project write-offs and termination costs of $77.8 million GAAP ($69.6 million regulatory) also reported in the annual report. These write-offs and termination costs are reported for regulatory purposes on the basis that they are incurred. Therefore, no regulatory/GAAP adjustment is required here. Further information can be found in the accompanying commentary document for schedules 2 and 8.	Total operational expenditure	36,206
Depreciation is higher under GAAP (vs Regulatory) due to a combination of the following: 1) Depreciation starts immediately under GAAP, but the year following commissioning for Regulatory. 2) Valuation methodologies differ between GAAP and Regulatory reporting. Further information on this can be found in the accompanying commentary document.	Depreciation	19,038
The difference in revaluations between GAAP and Regulatory is due to the different valuation methodologies used, as described in the accompanying commentary document.	Revaluations	(27,380)
The regulatory/GAAP adjustment of $13.6m relates to deferred tax "expense" of $15.8m that is recognised in Airport Business GAAP, offset by the tax effect of $2.3m in relation to the notional interest deduction (which is not claimed in the the GAAP tax calculation).	Tax expense	(13,569)

32		For "The Airport Business", GAAP PP&E is higher than Regulatory PP&E due to the following reasons: 1) GAAP asset revaluations have resulted in higher values than the Regulatory revaluations (note that assets within the Infrastructure category and Runways, taxiways and apron categories were revalued in FY20). 2) Future Use assets and Workin Progress are excluded from "The Airport Business" for Regulatory (RAB) but included in "The Airport Business" for GAAP. Further information on this can be found in the accompanying commentary document.	Property plant & equipment	1,726,552
33			[Select one]	
34		** To correspond with the clause 8a column Regulatory/GAAP adjustments*		

Commentary on the Consolidation Statement

Refer to Disclosure Commentary Note 8.

Regulated Airport For Year Ended: **Auckland International Airport Limited** — **30 June 2020**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS

Version 5.0

9a: Asset Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Land						
Directly attributable assets	136	306,918	27,075	334,129		334,129
Assets not directly attributable	24,312	5,787	529	30,627	11,692	42,319
Total value land				364,756		
Sealed Surfaces						
Directly attributable assets	–	238,155	–	238,155		238,155
Assets not directly attributable	–	–	–	–	–	–
Total value sealed surfaces				238,155		
Infrastructure and Buildings						
Directly attributable assets	83,123	38,323	47,557	169,003		169,003
Assets not directly attributable	606,485	47,684	4,861	659,030	277,696	936,726
Total value infrastructure and buildings				828,033		
Vehicles, Plant and Equipment						
Directly attributable assets	12,426	3,889	65	16,380		16,380
Assets not directly attributable	26,549	10,637	1,273	38,459	10,853	49,312
Total value vehicles, plant and equipment				54,839		
Total directly attributable assets	95,685	587,285	74,697	757,667		757,667
Total assets not directly attributable	657,346	64,107	6,662	728,116	300,241	1,028,357
Total assets	753,031	651,393	81,359	1,485,783	300,241	1,786,024

Asset Allocators

Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
Buildings	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 within the terminals.
Buildings	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 within the terminals.
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 outside buildings 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. Roading allocation is done where roads cannot be directly attributed they are considered to be shared across the business. Lightning, pavement, signage outside buildings are allocated based on the respective analysis associated with the business unit or use.	Stormwater distribution network (end point assets allocated based on end point user), roadng and adjacent Infrastructure, lightning, pavement - mainly for parking other than roading and footpaths, signage outside the buildings including traffic lights.
Infrastructure	Company-wide rule	Proxy Cost Allocator	The communications network provides benefit to the broader business. No specific usage/billing analysis available.	Communications network outside buildings
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
Vehicles, Plant & Equipment	FTE Analysis	Causal Relationship	Staff time directly impacts the utilisation of the asset. The use is identified by the indication done by staff in the operating cost business analysis.	Motor Vehicles used by Aeronautical management
Vehicles, Plant & Equipment	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 (motor vehicles and plant) relating to Engineering Support Services who are responsible for repairs and maintenance

38	Vehicles, Plant & Equipment	Space	Proxy Cost Allocator	Plant and equipment which is not directly attributed is allocated on the same basis as buildign structure - based on the share of terminal space.	Plant
39	Vehicles, Plant & Equipment	Company-wide rule	Proxy Cost Allocator	Where Plant and Equipment cannot be directly attributed and provides benefit to the broader business the company-wide rule is used to allocate these assets.	Plant and equipment primarily IT related
40			[Select one]		
41			[Select one]		
42			[Select one]		
43			[Select one]		
44			[Select one]		
45			[Select one]		
46			[Select one]		
47			[Select one]		
48			[Select one]		
49			[Select one]		
50			[Select one]		
51			[Select one]		
52			[Select one]		
53			[Select one]		
54			[Select one]		
55					

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 5.0*

62 **Asset Allocators (cont)**

63	Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
64			[Select one]		
65			[Select one]		
66			[Select one]		
67			[Select one]		
68			[Select one]		
69			[Select one]		
70			[Select one]		
71			[Select one]		
72			[Select one]		
73			[Select one]		
74			[Select one]		
75			[Select one]		
76			[Select one]		
77			[Select one]		
78			[Select one]		
79			[Select one]		
80			[Select one]		
81			[Select one]		
82			[Select one]		
83			[Select one]		
84			[Select one]		
85			[Select one]		
86			[Select one]		
87			[Select one]		
88			[Select one]		
89			[Select one]		
90			[Select one]		
91			[Select one]		
92			[Select one]		
93			[Select one]		
94			[Select one]		
95			[Select one]		
96			[Select one]		
97			[Select one]		
98			[Select one]		
99			[Select one]		
100			[Select one]		
101			[Select one]		
102			[Select one]		
103			[Select one]		
104			[Select one]		
105			[Select one]		
106			[Select one]		
107			[Select one]		
108			[Select one]		
109			[Select one]		
110			[Select one]		
111			[Select one]		
112			[Select one]		
113			[Select one]		
114			[Select one]		
115			[Select one]		
116			[Select one]		
117			[Select one]		
118			[Select one]		
119			[Select one]		
120			[Select one]		
121			[Select one]		
122			[Select one]		
123			[Select one]		
124			[Select one]		
125			[Select one]		
126			[Select one]		
127			[Select one]		
128			[Select one]		

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

130

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2020**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 5.0*

9b: Notes to the Report

9b(i): Changes in Asset Allocators

($000)

			Effect of Change CY-1 30 Jun 19	Current Year (CY) 30 Jun 20	CY+1 30 Jun 21
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Asset Allocations

Refer to Disclosure Commentary Note 9.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 10: REPORT ON COST ALLOCATIONS

Version 5.0

10a: Cost Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Corporate Overheads						
Directly attributable operating costs	350	–	–	350		350
Costs not directly attributable	18,705	11,692	1,326	31,723	13,242	44,965
Asset Management and Airport Operations						
Directly attributable operating costs	53,298	49,668	1,819	104,786		104,786
Costs not directly attributable	26,218	16,616	2,726	45,560	51,690	97,250
Asset Maintenance						
Directly attributable operating costs	7,350	4,159	392	11,901		11,901
Costs not directly attributable	3,404	1,290	115	4,808	2,922	7,730
Total directly attributable costs	60,998	53,827	2,211	117,037		117,037
Total costs not directly attributable	48,327	29,598	4,167	82,092	67,854	149,946
Total operating costs	109,326	83,425	6,378	199,129	67,854	266,983

Cost Allocators

Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
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. The allocation of these costs are estimated by management based on time spent on activities in each segment. It would be inefficient and immaterial to systemise the monitoring of time spent across each segment.	All costs lines within the MAINTENANCE SERVICES, BUILDING AND TERMINAL SERVICES and ELECTRONIC SYSTEMS business units except specific object codes carved out as per cost allocation process.
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 other specific object codes carved out as per cost allocation process
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 other specific object codes carved out as per cost allocation process
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 other specific object codes carved out as per cost allocation process
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 other specific object codes carved out as per cost allocation process
Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	Internal electricity charges within the ELECTRICITY (INCL RETICULATION & POWER CTRS) business unit
Asset Management & Airport Operations	Internal charges weighted by internal BU rules	Causal Relationship	Metered usage deemed to be the causal factor for generating the associated revenues and costs	Internal water charges within the WATER (INCL RETICULATION, RESERVOIRS & PUMP STATION) business unit
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

31		Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	These functions support all segments and the proxy rule efficiently captures the relative scale of each segment. It is inefficient and immaterial to systemise the monitoring and recording of time spent across each segment	All costs lines within the business units listed below except specific object codes carved out as per cost allocation process GROUND CARE SKYGATE SECURITY MASTER PLANNING MASTER PLANNING - TRANSPORT
32		Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	Predominately employee related costs which are estimated by management based on time spent on activities in each segment. It would be inefficient and immaterial to systemise the monitoring of time spent across each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the (AERO) COMMERICAL MANAGEMENT and TRANSPORT MANAGEMENT business units except specific object codes carved out as per cost allocation process
33		Asset Management & Airport Operations	Employee time split	Proxy Cost Allocator	These functions support all aeronautical segments and it is inefficient and immaterial to systemise the monitoring of time spent across each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the AERO MANAGEMENT and FUEL RECOVERY business units except specific object codes carved out as per cost allocation process
34		Asset Management & Airport Operations	Aeronautical revenues/costs split excluding aircraft and freight revenues/expenses	Proxy Cost Allocator	These managerial functions support both Airfield and Passenger Terminal operations management and it is inefficient and immaterial to monitor time spent across each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the AIRSIDE OPERATIONS MANAGEMENT and SLOTS COORDINATION business units except specific object codes carved out as per cost allocation process
35		Asset Management & Airport Operations	Aeronautical revenues split	Proxy Cost Allocator	These managerial functions support all aeronautical segments and it is inefficient and immaterial to monitor time spent across each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the RESCUE FIRE ADMIN, AERO PERFORMANCE & PLANNING and OPERATION CAPRICORN business units except specific object codes carved out as per cost allocation process
36		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. AIAL management are in the process of gathering vehcile movement and roading network usage data to refine the allocation of costs to maintain roading assets	All costs lines within the ROADWAYS business unit except specific object codes carved out as per cost allocation process
37		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. It would be inefficient and immaterial to monitor costs incurred by each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the INTERNATIONAL JETBASE business unit except specific object codes carved out as per cost allocation process
38		Asset Management & Airport Operations	Share of rental revenues between aeronautical and non-aeronautical revenues	Proxy Cost Allocator	BU dominated by rental revenue so costs are split by rental revenue associated with each segment. It would be inefficient and immaterial to monitor costs incurred by each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the ITB TENANCIES-ADMINISTRATIVE and DHL business units except specific object codes carved out as per cost allocation process
39		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. It would be inefficient and immaterial to monitor costs incurred by each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the QUAD 5 business unit except specific object codes carved out as per cost allocation process
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. The allocation of these costs are estimated by management based on time spent on activities in each segment. It would be inefficient and immaterial to systemise the monitoring of time spent across each segment.	All costs lines within the ASSET DATA SERVICES business unit except specific object codes carved out as per cost allocation process.
41		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. The allocation of these costs are estimated by management based on time spent on activities in each segment. It would be inefficient and immaterial to systemise the monitoring of time spent across each segment.	All costs lines within the ENGINEERING SUPPORT SERVICES business unit except specific object codes carved out as per cost allocation process.
42		Corporate Overheads	Aeronautical revenues split	Proxy Cost Allocator	The split of aeronautical revenues fairly distributes between aeronautical activities. This is used to attribute airline consultation cost between airfield and terminal which efficiently captures the relative scale of each segment	All costs lines within the AERONAUTICAL PRICING and ECONOMIC REGULATION business units except specific object codes carved out as per cost allocation process

43	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. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the CHINA PLAN business units except specific object codes carved out as per cost allocation process
44	Corporate Overheads	Employee time split	Proxy Cost Allocator	These functions support all aeronautical segments and it is inefficient and immaterial to systemise the monitoring of time spent across each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the INTEGRATED TERMINAL FACILITY and POLICY MANAGEMENT business units except specific object codes carved out as per cost allocation process
45	Corporate Overheads	Employee time split	Proxy Cost Allocator	Predominately employee related costs which are estimated by management based on time spent on activities in each segment. It would be inefficient and immaterial to systemise the monitoring of time spent across each segment. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the RETAIL MANAGEMENT, MARKETING AND BRANDING and INSIGHT business units except specific object codes carved out as per cost allocation process
46	Corporate Overheads	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	These functions support all segments and the proxy rule efficiently captures the relative scale of each segment. It is inefficient and immaterial to systemise the monitoring and recording of time spent across each segment	All costs lines within the business units listed below except specific object codes carved out as per cost allocation process GENERAL COUNSEL & CO SECRETARY CORPORATE RELATIONS COMMUNITY RELATIONS MARAE ACCOUNTING BUSINESS INTELLIGENCE CEO HUMAN RESOURCES CORPORATE OFFICE PROCUREMENT HEALTH AND SAFETY DIGITAL MARKETING BUSINESS ARCHITECTURE BT OUTSOURCED
47					

	Regulated Airport	Auckland International Airport Limited
	For Year Ended	30 June 2020

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 5.0*

ref	Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
54	**Cost Allocators (cont)**				
56	Asset Management & Airport Operations	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. The proxy rule efficiently captures the relative scale of each segment	All costs lines within the ROUTE DEVELOPMENT business units except specific object codes carved out as per cost allocation process
57	Asset Management & Airport Operations	Company-wide (terminal space & aeronautical revenue splits)	Proxy Cost Allocator	These functions support all segments and the proxy rule efficiently captures the relative scale of each segment. It is inefficient and immaterial to systemise the monitoring and recording of time spent across each segment	All costs lines within the business units listed below except specific object codes carved out as per cost allocation process IT SYSTEMS BUSINESS SOLUTIONS
58			[Select one]		
59			[Select one]		
60			[Select one]		
61			[Select one]		
62			[Select one]		
63			[Select one]		
64			[Select one]		
65			[Select one]		
66			[Select one]		
67			[Select one]		
68			[Select one]		
69			[Select one]		
70			[Select one]		
71			[Select one]		
72			[Select one]		
73			[Select one]		
74			[Select one]		
75			[Select one]		
76			[Select one]		
77			[Select one]		
78			[Select one]		
79			[Select one]		
80			[Select one]		
81			[Select one]		
82			[Select one]		
83			[Select one]		
84			[Select one]		
85			[Select one]		
86			[Select one]		
87			[Select one]		
88			[Select one]		
89			[Select one]		
90			[Select one]		
91			[Select one]		
92			[Select one]		
93			[Select one]		
94			[Select one]		
95			[Select one]		
96			[Select one]		
97			[Select one]		
98			[Select one]		
99			[Select one]		
100			[Select one]		
101			[Select one]		
102			[Select one]		
103			[Select one]		
104			[Select one]		
105			[Select one]		
106			[Select one]		
107			[Select one]		
108			[Select one]		
109			[Select one]		
110			[Select one]		
111			[Select one]		
112			[Select one]		
113			[Select one]		

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

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2020**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 5.0*

10b: Notes to the Report

10b(i): Changes in Cost Allocators

			($000)		
			Effect of Change		
			CY-1	**Current Year (CY)**	**CY+1**
			30 Jun 19	**30 Jun 20**	**30 Jun 21**
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Cost Allocations

Refer to Disclosure Commentary Note 10.

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES

ref | *Version 5.0*

ref		Number	Total Duration Hours	Minutes
6	**Runway**			
7	The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8	Airports	4	2	38
9	Airlines/Other	–	–	–
10	Undetermined reasons	–	–	–
11	Total	4	2	38
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	19	35	11
27	Airlines/Other	7	15	19
28	Undetermined reasons	–	–	–
29	Total	26	50	30
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	5	16	36
33	Airlines/Other	2	5	16
34	Undetermined reasons	–	–	–
35	Total	7	21	52
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	69	73	03
45	Airlines/Other	7	4	08
46	Undetermined reasons	–	–	–
47	Total	76	77	11
48				

Regulated Airport	**Auckland International Airport Limited**
For Year Ended	**30 June 2020**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES (cont)

ref *Version 5.0*

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

56 The percentage of time that FEGP is unavailable due to interruptions* 0.17%

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

57

58 **Commentary concerning reliability measures**

59 Refer Disclosure Commentary Note 11.

60

61

62

63

64

65

66

67

68

69

70

71

72

73

74

75

76

77

78

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

79 *respect of reliability. If interruptions are categorised as "occurring for undetermined reasons", the reasons for inclusion in this category must be disclosed.*

80

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

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

ref *Version 5.0*

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)	45	N/A	N/A
	IMC (movements per hour)	38	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	18	4	26
	Domestic jet	9	2	–
	Domestic turboprop	–	13	6
Total parking stands		27	19	32

Busy periods for runway movements

	Date
Runway busy day	27 September 2019
Runway busy hour start time (day/month/year hour)	13 Mar 2020 6 PM

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	145	–	9	154
	Domestic jet	137	9	–	146
	Domestic turboprop	–	215	16	231
	Total	282	224	25	531
Other (including General Aviation)					10
Total aircraft movements during the runway busy day					541

Number of aircraft runway movements during the runway busy hour: 41

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

Refer Disclosure Commentary Note 12.

	Regulated Airport	**Auckland International Airport Limited**
	For Year Ended	**30 June 2020**

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

ref *Version 5.0*

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)	07-09-2019 - 9:00	10-11-2019 - 11:00	N/A
10	Floor space (m²)	3,843	1,652	N/A
11	Passenger throughput during the passenger busy hour (passengers/hour)	2,032	1,452	N/A
12	Utilisation (busy hour passengers per 100m²)	53	88	N/A
13	**Check-in**			
14	Passenger busy hour for check-in—start time (day/month/year hour)	07-09-2019 - 9:00	10-11-2019 - 11:00	N/A
15	Floor space (m²)	4,132	841	N/A
16	Passenger throughput during the passenger busy hour (passengers/hour)	2,032	1,452	N/A
17	Utilisation (busy hour passengers per 100m²)	49	173	N/A
18	**Baggage (outbound)**			
19	Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	07-09-2019 - 9:00	10-11-2019 - 11:00	N/A
20	Make-up area floor space (m²)	8,443	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)*	2,112	1,118	N/A
23	Passenger throughput during the passenger busy hour (passengers/hour)	2,032	1,452	N/A
24	Utilisation (% of processing capacity)	69%	56%	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)	07-09-2019 - 9:00		
29	Floor space (m²)	1,379		
30	Number of emigration booths and kiosks	21		
31	Notional capacity during the passenger busy hour (passengers/hour) *	2,856		
32	Passenger throughput during the passenger busy hour (passengers/hour)	2,032		
33	Utilisation (busy hour passengers per 100m²)	147		
34	Utilisation (% of processing capacity)	71%		
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)	07-09-2019 - 9:00	06-07-2019 - 8:00	
38	Facilities for passengers excluding international transit & transfer			
39	Floor space (m²)	2,074	592	
40	Number of screening points	6	5	
41	Notional capacity during the passenger busy hour (passengers/hour) *	1,800	1,350	
42	Passenger throughput during the passenger busy hour (passengers/hour)	2,032	1,140	
43	Utilisation (busy hour passengers per 100m²)	98	192	
44	Utilisation (% of processing capacity)	113%	84%	
45	Facilities for international transit & transfer passengers			
46	Floor space (m²)	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)	4		
51	Utilisation (busy hour passengers per 100m²)	2		
52	Utilisation (% of processing capacity)	1%		
53	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
54				

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

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

ref *Version 5.0*

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)	07-09-2019 - 9:00	10-11-2019 - 11:00	
65	Floor space (m²)	12,674	2,273	
66	Passenger throughput during the passenger busy hour (passengers/hour)	2,036	1,452	
67	Utilisation (busy hour passengers per 100m²)	16	64	
68	**Departure lounges**			
69	Passenger busy hour for departure lounges—start time (day/month/year hour)	07-09-2019 - 9:00	10-11-2019 - 11:00	
70	Floor space (m²)	8,126	2,922	
71	Number of seats	3,990	1,076	
72	Passenger throughput during the passenger busy hour (passengers/hour)	2,036	1,452	
73	Utilisation (busy hour passengers per 100m²)	25	50	
74	Utilisation (passengers per seat)	0.5	1.3	
75	**Inbound (Arriving) Passengers**			
76	**Airside circulation (inbound)**			
77	Passenger busy hour for airside circulation (inbound)—start time			
78	(day/month/year hour)	11-08-2019 - 17:00	12-02-2020 - 18:00	N/A
79	Floor space (m²)	12,529	2,298	N/A
80	Passenger throughput during the passenger busy hour (passengers/hour)	2,107	1,526	N/A
81	Utilisation (busy hour passengers per 100m²)	17	66	N/A
82	**Passport control (inbound)**			
83	Passenger busy hour for passport control (inbound)—start time			
84	(day/month/year hour)	11-08-2019 - 17:00		
85	Floor space (m²)	1,660		
86	Number of immigration booths and kiosks	28		
87	Notional capacity during the passenger busy hour (passengers/hour) *	3,253		
88	Passenger throughput during the passenger busy hour (passengers/hour)	1,903		
89	Utilisation (busy hour passengers per 100m²)	115		
90	Utilisation (% of processing capacity)	58%		
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)	11-08-2019 - 17:00	12-02-2020 - 18:00	N/A
95	Floor space (m²)	1,513	1,652	N/A
96	Passenger throughput during the passenger busy hour (passengers/hour)	1,903	1,526	N/A
97	Utilisation (busy hour passengers per 100m²)	126	92	N/A
98	**Baggage reclaim**			
99	Passenger busy hour for baggage reclaim—start time (day/month/year hour)	11-08-2019 - 17:00	12-02-2020 - 18:00	
100	Floor space (m²)	6,676	1,081	
101	Number of reclaim units	7	2	
102	Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	2,645	938	
103	Bags processed during the passenger busy hour (bags/hour)*	1,974	1,175	
104	Passenger throughput during the passenger busy hour (passengers/hour)	1,903	1,526	
105	Utilisation (% of processing capacity)	75%	125%	
106	Utilisation (busy hour passengers per 100m²)	29	141	
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)	11-08-2019 - 17:00		
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)	1,903		
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)	11-08-2019 - 17:00	12-02-2020 - 18:00	N/A
120	Floor space (m²)	1,676	260	N/A
121	Passenger throughput during the passenger busy hour (passengers/hour)	1,903	1,526	N/A
122	Utilisation (busy hour passengers per 100m²)	114	586	N/A
123				

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

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

ref *Version 5.0*

	International terminal	Domestic terminal	Common area †
Total terminal functional areas providing facilities and service directly for passengers			
Floor space (m^2)	67,562	14,558	N/A
Number of working baggage trolleys available for passenger use at end of disclosure year	4,050	450	N/A

Commentary concerning capacity utilisation indicators for Passenger Terminal Activities

Refer to Disclosure Commentary Note 13.

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

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

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

ref *Version 5.0*

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 19	31 Dec 19	31 Mar 20	30 Jun 20	average
Ease of finding your way through an airport		4.0	4.1	4.2		4.1
Ease of making connections with other flights		3.5	3.9	4.0		3.8
Flight information display screens		4.1	4.2	4.3		4.2
Walking distance within and/or between terminals		4.0	4.1	4.2		4.1
Availability of baggage carts/trolleys		4.2	4.2	4.1		4.1
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.3	4.4		4.3
Availability of washrooms/toilets		4.0	4.0	4.1		4.0
Cleanliness of washrooms/toilets		3.9	3.9	3.9		3.9
Comfort of waiting/gate areas		3.5	3.6	3.7		3.6
Cleanliness of airport terminal		4.0	4.0	4.1		4.1
Ambience of the airport		3.7	3.7	3.9		3.7
Security inspection waiting time		4.2	4.1	4.4		4.2
Check-in waiting time		4.2	4.2	4.4		4.2
Feeling of being safe and secure		4.5	4.4	4.6		4.5
Average survey score		4.0	4.0	4.2	–	4.1

International terminal	*Quarter*	1	2	3	4	Annual
	for year ended	30 Sep 19	31 Dec 19	31 Mar 20	30 Jun 20	average
Ease of finding your way through an airport		4.4	4.3	4.4		4.4
Ease of making connections with other flights		4.1	4.0	4.2		4.1
Flight information display screens		4.3	4.2	4.3		4.3
Walking distance within and/or between terminals		4.0	4.0	4.2		4.0
Availability of baggage carts/trolleys		4.3	4.3	4.4		4.3
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.4	4.3	4.5		4.4
Availability of washrooms/toilets		4.4	4.4	4.4		4.4
Cleanliness of washrooms/toilets		4.3	4.3	4.4		4.3
Comfort of waiting/gate areas		4.2	4.1	4.2		4.2
Cleanliness of airport terminal		4.5	4.4	4.5		4.5
Ambience of the airport		4.3	4.3	4.3		4.3
Passport and visa inspection waiting time		4.4	4.2	4.4		4.4
Security inspection waiting time		4.3	4.1	4.3		4.2
Check-in waiting time		4.2	4.2	4.0		4.2
Feeling of being safe and secure		4.5	4.4	4.5		4.5
Average survey score		4.3	4.2	4.3	–	4.3

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 2020**

SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref *Version 5.0*

Disclosure of the operational improvement process

Please refer 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 2020**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref *Version 5.0*

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	4,728	1,192,520
Boeing - B777-300ER	2,578	904,099
Boeing - B777-200	2,082	632,674
Airbus Industrie - A-330-300	2,101	490,536
Boeing - B737-800	4,476	349,112
Airbus Industrie - A-380-800	426	244,020
Airbus Industrie - A-321	1,599	149,507
Airbus Industrie - A-320	1,953	149,484
Airbus Industrie - A-350-900	522	144,055
Airbus Industrie - A-350-1000	200	63,200
Boeing - B747-800	132	59,096
Boeing - B787-10 Dreamliner	105	26,671
Boeing - B737-300	304	19,156
Airbus Industrie - A-340-300	62	15,969
Boeing - B737-200	151	10,871
Boeing - B777-300	4	1,354
Boeing - B747-400	2	826
Antonov - AN-124 Ruslan	2	784
Convair - CV-580 Convair	32	772
Bombardier - BD-700 Global Express	13	557
Boeing - B757-200	3	347
Beechcraft - 350 Super King Air	47	347
Cessna - 680 Citation Sovereign	20	275
Airbus Industrie - A-330-200	1	233
Gulfstream Aerospace - G650	4	174
Airbus Industrie - A-319	2	151
Rockwell - Aero Commander 500	2	129
Fokker - F-70	3	125
Gulfstream Aerospace - G-5	2	83
Dassault - Falcon 900	4	83
Canadair - CL-600 Challenger 600	4	78
Bombardier - Learjet 45	8	73
Boeing - B737-400	1	65
Cessna - 525 Citation CJ4	6	47
Bombardier - Learjet 60	3	32
Dassault - Falcon 7X	1	32
Embraer - ERJ-135	1	19
Cessna - 525A Citation CJ2	3	15
Grumman - 1125 Astra	1	11
Corby - CJ-1 Starlet	2	11
Embraer - 505 Phenom 300E	1	8
Beechcraft - B200 King Air	2	8
Piper - PA-42-1000	1	5
Cessna - 208 Grand Caravan	1	4
Total	21,595	4,457,616

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref *Version 5.0*

(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	16,701	1,203,786
Airbus Industrie - A-321	565	52,828
Boeing - B737-300	807	52,123
Boeing - B787-9 Dreamliner	70	17,686
Boeing - B737-400	78	5,042
Boeing - B777-200	6	1,785
Rockwell - Aero Commander 500	22	1,422
Boeing - B777-300ER	3	1,048
Boeing - B737-800	13	1,020
Airbus Industrie - A-380-800	1	569
Boeing - B777-200LR	1	347
Pacific Aerospace - CT-4 Airtrainer	5	314
Airbus Industrie - A-330-300	1	230
Fokker - F-70	2	83
Airbus Industrie - A-220	1	65
Gulfstream Aerospace - G650	1	45
Bombardier - BD-700 Global Express	1	44
Total	18,278	1,338,437

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
De Havilland Canada - Dash 8 Q300	11,832	230,773
Aerospatiale/Alenia - ATR-72-200	8,845	202,209
SAAB - Saab 340	1,221	15,825
Cessna - 208 Grand Caravan	2,568	10,193
Convair - CV-580 Convair	293	7,070
Fairchild - SW-4B	890	6,476
Beechcraft - 300 Super King Air	252	1,711
Beechcraft - 200 Super King Air	162	924
British Aerospace - Jetstream 32	102	749
Beechcraft - 90 King Air	126	586
Cessna - 680 Citation Sovereign	37	509
Beechcraft - 350 Super King Air	44	323
Cessna - 510 Citation Mustang	74	290
Aerospatiale/Alenia - ATR-72-600	2	46
Pilatus - PC-12 Eagle	10	45
Fairchild - SW-4A	6	44
Cessna - 441 Conquest 2	9	40
McDonnell Douglas - DC-3 Dakota	2	24
Aero Commander - Turbo Commander 690	5	23
Aerospatiale/Alenia - ATR-72-500	1	23
Dassault - Falcon 900	1	21
Piper - PA-42-1000	2	10
Embraer - 505 Phenom 300E	1	8
Total	26,485	477,923

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 2)

ref *Version 5.0*

(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	1,551	4,643
Freight aircraft	813	199,636
Military and diplomatic aircraft	44	3,985
Other aircraft (including General Aviation)	845	18,147

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

	Total number of landings	Total MCTOW (tonnes)
Total	69,611	6,500,387

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	42,150	–	2,151	44,301
Domestic jet air passenger service movements	35,869	1,543	–	37,412

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

16c: Passenger statistics

	Domestic	International	Total
The total number of passengers during disclosure year			
Inbound passengers†	3,540,163	4,315,591	7,855,754
Outbound passengers†	3,506,945	4,158,355	7,665,300
Total (gross figure)	7,047,108	8,473,946	15,521,054
less estimated number of transfer and transit passengers		734,686	734,686
Total (net figure)			14,786,368

† 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 Canada
Air Nelson	Air Chathams
Mount Cook Airlines	Air China
Barrier Air	Air New Zealand
Air Chathams	Air Tahiti Nui
Fly My Sky	Air Vanuatu
	American Airlines
	Cathay Pacific
	China Airlines
	China Eastern Airlines
	China Southern Airlines
	Emirates
	Fiji Airways
	Hainan Airlines
	Hawaiian Airlines
	Jetstar Airways
	Korean Air
	LATAM Airlines
	Malaysia Airlines

Regulated Airport: **Auckland International Airport Limited**
For Year Ended: **30 June 2020**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)

ref *Version 5.0*

Airline statistics (cont)

Domestic	International
	Philippine Airlines
	Qantas
	Qatar Airways
	Samoa Airways
	Sichuan Airlines
	Singapore Airlines
	Thai Airways International
	United Airlines
	Virgin Australia Airlines

16e: Human Resource Statistics

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
Number of full-time equivalent employees	228.5	133.2	7.7	369.4
Human resource costs ($000)				49,506

Commentary concerning the report on associated statistics

Please refer Disclosure Commentary Note 16.

Regulated Airport: Auckland International Airport Limited
For Year Ended: 30 June 2020

SCHEDULE 17: REPORT ON PRICING STATISTICS

ref *Version 5.0*

17a: Components of Pricing Statistics

	($000)
Net operating charges from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	4,878
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	21,689
Net operating charges from airfield activities relating to international flights	75,117
Net operating charges from specified passenger terminal activities relating to domestic passengers	18,491
Net operating charges from specified passenger terminal activities relating to international passengers	126,284

	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	2,018,365
Number of domestic passengers on flights of 30 tonnes MCTOW or more	4,976,112
Number of international passengers	**8,473,946**

	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	481,991
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,343,906
Total MCTOW of international flights	4,669,929

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	2.42	10.12
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	4.36	16.14
Average charge from airfield activities relating to international flights	8.86	16.09

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from specified passenger terminal activities	2.64	14.90

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from airfield activities and specified passenger terminal activities	6.44	23.77

Commentary on Pricing Statistics

Please refer Disclosure Commentary Note 17.

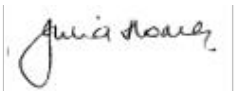
SCHEDULE 20

CERTIFICATION FOR DISCLOSED INFORMATION

Clause 2.7(1)

We, Dr Patrick Strange and Julia Hoare, 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:



Dr Patrick Strange
Director, Chair of the Board

Julia Hoare
Director, Chair of the Audit and Financial Risk Committee

24 November 2020

Deloitte.

Independent Assurance Report

To the Board of Directors of Auckland International Airport Limited and to the Commerce Commission

Opinion

We have undertaken a reasonable assurance engagement on the attached Specified Airport Services Information Disclosure Schedules comprised of Schedules 1 through to 17 (the 'Schedules') of Auckland International Airport Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020. This information is stated in accordance with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010 ('Determination').

In our opinion:

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

Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* ('SAE 3100 (Revised)') issued by the New Zealand Auditing and Assurance Standards Board.

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

Directors' responsibilities for the Schedules

The directors are responsible on behalf of the Group for the preparation and presentation of the Schedules in accordance with the Determination. This responsibility includes identification of the risks that threaten the compliance requirements identified above being met and the design, implementation and maintenance of internal control relevant to mitigating those risks and monitor ongoing compliance to ensure the Group's compliance with the requirements of the Determination.

Our independence and quality control

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

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.

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

Our responsibility

Our responsibility is to express an opinion on the Group's compliance with the requirements of the Determination in respect of the specific matters set out herein. SAE 3100 (Revised) requires that we plan and perform procedures to obtain reasonable assurance about whether the Group has complied, in all material respects, with the requirements of the Determination for the year ended 30 June 2020.

An assurance engagement to report on the Group's compliance with the requirements of the Determination involves planning and performing procedures to obtain evidence about the compliance activity and controls implemented to ensure the Schedules meet the requirements of the Determination. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the requirements of the Determination.

Our procedures included:

- identifying key inputs to the information in the Schedules and reconciling or agreeing them to source documents and systems, subject to clause 2.6(3) of the Determination; and,
- considering the methodologies used in preparing the Historical Non-Financial information included in Schedules 11 through to 17 and confirm that they are in accordance with the guidance issued pursuant to the Determination; and,

In respect of the historical financial information, we note that the Determination requires the Group to provide historical financial information relating only to its specified airport services. This information has been extracted from the underlying accounting records of the Group, which we have previously audited. For the purposes of this engagement, our work on the historical financial information was limited to:

- obtaining an understanding of how the Group has determined its allocation methodology in accordance with the Determination, in order to allocate revenue, expenses and assets to the Specified Airport Services;
- evaluating how the allocation methodology has been applied by testing the allocation of revenue, expenses and assets to the Specified Airport Services on a sample basis; and,
- agreeing the Historical Financial Information in the Schedules to the Group's underlying records, and to the company's audited annual financial statements, where appropriate.

These procedures have been undertaken to form an opinion as specified above.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control, it is possible that fraud, error or non-compliance may occur and not be detected even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

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 procedures on the forecast information in Schedule 6, 9 and 10 were limited to agreeing that information to the forecast information prepared by the Group and required by the Determination to be included in Schedule 18, 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.

Further, a reasonable assurance engagement for the year ended 30 June 2020 does not provide assurance on whether compliance with the requirements of the Determination will continue in the future.

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

Auckland, New Zealand
24 November 2020

This assurance report relates to the Specified Airport Services Information Disclosure Schedules (the Schedules) of Auckland International Airport Limited (the 'Group') for the year ended 30 June 2020 included on the Group's website. The Directors are responsible for the maintenance and integrity of the Group'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 24 November 2020 to confirm the information included in the Schedules presented on this website. Legislation in New Zealand governing the preparation and dissemination of the Schedules may differ from legislation in other jurisdictions.