



**WELLINGTON INTERNATIONAL AIRPORT LIMITED**

**SPECIFIED AIRPORT SERVICES**

**ANNUAL INFORMATION DISCLOSURE**

**FOR THE YEAR ENDED 31 MARCH 2017**

## 1. Introduction

Wellington International Airport Limited (**WIAL**) recognises that the purpose of information disclosure, as provided in the Commerce Act 1986 Part 4 (**the Act**), is to provide sufficient information to enable interested persons to assess WIAL's performance over time and in comparison to Auckland International Airport Limited (**AIAL**) and Christchurch International Airport Limited (**CIAL**). This annual information disclosure and reporting of financial and service quality outcomes for the year ended 31 March 2017 is WIAL's seventh under the information disclosure regime (**ID Regime**).

WIAL has again taken an additional step to prepare a separate performance summary document, which accompanies, but does not form part of, the Annual Disclosure. This summary assesses WIAL's regulatory performance since the start of the ID Regime, considers all four limbs set out under the Act and provides an update on key capital projects across the business.

WIAL considers that any assessment of airport performance, in particular promoting the long-term benefit of consumers, is best achieved by a contextual review which considers service quality, efficiency, pricing, innovation and investment.

This Executive Summary includes comment on WIAL's performance in relation to:

- ➔ Significant and ongoing investment in infrastructure and innovation
- ➔ Consistent high quality customer service and efficiency reflecting customer demand
- ➔ Sharing the benefits of efficiency gains with customers
- ➔ Delivering value to our customers and earning a fair and reasonable return over time

The Annual Disclosure reports the historic or past results for WIAL. This disclosure should be read in conjunction with WIAL's Price Setting Event Disclosures for its current pricing period 1 June 2014 to 31 March 2019 (**PSE3**). These disclosures set out the forecasts and assumptions applied to determine pricing for PSE3. WIAL considers that any assessment of airport performance should consider both past and forecast returns. Furthermore, WIAL's view is that airports are long-term cyclical assets and as a result analysis should be based on a time series of data rather than any one period in isolation.

WIAL considers that the ability of the Commerce Commission (**Commission**) and interested persons to assess WIAL's performance will improve over time as further information disclosures are published.

## 2. Commission's Review of Input Methodologies

The Commission completed its statutory review of the input methodologies (IMs) in December 2016. The IMs are an integral part of the ID Regime. WIAL provided input to the review by submitting to the Commission on improvements to the regime. These included:

- ➔ A move toward a more contextual assessment of airport performance as opposed to a narrow de facto price control focus and assessment of profitability
- ➔ The ability for airports to explain their performance and provide justification for their targets
- ➔ Increased flexibility to reflect pricing decisions within the ID Regime
- ➔ Explaining to interested persons the uncertainty and flaws of the capital asset pricing model (CAPM) weighted average cost of capital estimate used by the Commission in its assessments

We are pleased that many of these aspects were addressed in the Commission's IMs decision released in December 2016. The Commission is currently consulting on amendments to the ID Regime to align with the IMs decision.

## 3. Significant and Ongoing Investment in Infrastructure and Innovation

### *Investment in Infrastructure*

WIAL is part-way through a \$125 million aeronautical capital expenditure programme, with a number of construction projects underway or in the advanced stages of planning at the time of publication. The live operational environment of an airport requires careful design and management of 'brownfields' construction projects to minimise any interruptions to day-to-day operations and prioritise passenger and staff safety at all times. WIAL's constrained land footprint necessitates different approaches to design and construction, such as multi-storey structures rather than at-grade solutions. In addition, due to the importance of the airport to the Wellington region, buildings are required to be designed and constructed for a greater level of earthquake resilience than ordinary commercial structures.

WIAL consults with its substantial airline customers on major capital investments. For example, WIAL undertook nearly two years of extensive consultation with airline customers prior to construction of the recently completed Domestic Terminal Extension. A consultation process is important to ensure the best result possible for airport stakeholders but this can also add additional costs to major capital projects.

Due to the comparatively small size of WIAL's international operations, the introduction of new international routes can represent a substantial step-up in capacity. WIAL's challenge from an

infrastructure perspective is to time the delivery of additional terminal capacity to meet step-changes in demand.

The following major infrastructure projects were delivered or under construction during 2017:

- ➔ The Domestic Terminal Extension was officially opened by Prime Minister John Key in November 2016. The extension has widened the width of both southern piers, added centralised security screening, provided extra gate lounge space, a new regional Air New Zealand Koru Lounge, doubled the number of toilets, and added an undercover valet facility and more drop-off/pick-up zones. The southern apron was also extended and reconfigured to use the area more efficiently. The terminal extension works facilitate passenger growth, providing capacity for up to 1,500 passengers per hour during the peak periods, and enhances their experience.
- ➔ An unforecast change in aircraft mix towards turbo prop aircraft and move away from push-back operations has further increased the demand on the apron and aircraft parking facilities. To increase airfield capacity and resilience, WIAL has recently acquired and demolished the old Air New Zealand hangar site towards the south-east end of the airport site and is working with stakeholders towards finalising the design of an expansion of the southern apron to accommodate additional power-in/power-out stands for turbo prop aircraft. This project is expected to commence in mid-2018.
- ➔ The International Arrivals Enhancement (IAE) project was completed in September 2016 to address congestion, improve levels of service and cater for an unforecast large growth in international passenger numbers. The IAE project incorporated an increase in space for primary processing, allowing for the addition of five SmartGate+ lanes. The secondary processing area was also reconfigured to create extra space for improved queue management and increased passenger throughput. In order to facilitate this additional space the existing toilets, Emergency Operations Centre and Customs Control Room were relocated to new facilities within the airport.
- ➔ The Multi Level Transport Hub project commenced in February 2016 and is scheduled for completion in mid-2018. The \$70 million project will create an extra 1,000 covered car parks with electric vehicle charging and way-finding technology. It will also provide improved facilities for passenger drop-off/pick-up and ground transport operations including taxis, buses and bicycles.
- ➔ The stub taxiway Bravo 5 was widened to allow improved access for Code E aircraft operations to/from Gate 27. Previously aircraft had to be escorted to/from the gate causing congestion in the maneuvering area.
- ➔ From December 2016 the legislation regarding baggage screening was amended to require all domestic hold baggage for jet aircraft to be screened at departure. Aside from the challenge

of the short lead time, the implementation also involved redesigning the baggage processing procedures with infrastructure changes, training of WIAL and stakeholder staff and ensuring the contingency procedures were tested and documented.

### ***Investment in Technology***

New airport technologies and innovations continue to influence airport operations and the passenger experience. WIAL is investing in technology in a number of areas to improve operational performance, customer experience, efficiency of expenditure, efficiency of investment and to support route development initiatives.

In addition to the examples noted earlier, further examples of innovation driven by technology are outlined below:

- ➔ Airport Collaborative Decision Making (**ACDM**) system to enable aviation partners to work together more efficiently, share real time operational data and transparently resulting in operational efficiencies and enhanced traffic capacity.
- ➔ Common Use Terminal Equipment - WIAL has invested in common use terminal equipment which is owned by the airport and operated by the airline. This approach provides flexibility and optimizes usage of terminal assets. This year the common use equipment has been expanded to SoundsAir and Singapore Airlines. Both airlines are now also using the software and hardware as provided by the airport. Common use telephones have also been deployed at all gates.
- ➔ Self-service boarding gates for regional services introduced.
- ➔ Expanded free Wi-Fi capacity – WiFi is now available in the baggage reclaim, international arrivals and the south west pier.
- ➔ Fibre optic cabling is also being rolled out across the airport campus, improving quality and reliability and enabling stakeholders to further utilise bandwidth intensive applications.
- ➔ Further investment in CCTV infrastructure, supporting safe, secure and efficient operations for all airport stakeholders.
- ➔ New fully mobile responsible website, enabling passengers and other stakeholders to find the information they require quickly and easily.

#### 4. Consistent High Quality Customer Service and Efficiency Reflecting Customer Demand

WIAL is committed to providing an appropriate quality of service to all users of its airport services, undertaking planned investment to facilitate and promote passenger growth in future years and improve service or quality as required.

WIAL continually reviews the quality of service it provides to its passengers and customers. This is done by commissioning passenger surveys and through a collaborative decision making approach in meetings with its stakeholders including airlines and government agencies. Service quality improvements are assessed on a continuous basis.

In Schedule 15, WIAL comments on a number of initiatives that have been completed or are currently in progress to deliver further improvements in service quality. These initiatives demonstrate WIAL's achievements and ongoing commitment in the areas of service quality, efficiency and innovation.

##### ***Airport Service Quality***

WIAL continues to rate highly in its annual Airport Service Quality (**ASQ**) survey scores, with an average domestic score of 4.2 (2016: 4.1) and an average international score of 4.2 (2016: 4.2). These compare well against other airports around the world and WIAL is ranked 2nd in Australasia<sup>1</sup> and sits mid-range in its worldwide peer group of airports with 5 to 15 million passengers per annum.

Wellington Airport always scores very highly with respect to "Friendliness of staff". Staff are very proud of this fact and are committed to maintaining the high standards in this area. Airport stakeholders collaborate at regular TEAM WLG (an acronym for "Together Everyone Achieves More") meetings to ensure a whole of airport approach to customer focus.

Particularly notable are the excellent scores for the following Domestic ASQ categories following the completion of the Domestic Terminal Extension in November 2016:

- ➔ **Comfort of gate/waiting areas** – the development provided around 1,600m<sup>2</sup> of extra gate lounge space due to the reconfiguration of the south west pier, improving passenger comfort and providing a more flexible passenger circulation space. A major upgrade to the parent's room to assist families travelling with children has also been completed.
- ➔ **Availability of toilets** – the terminal extension project doubled the number of toilets. In addition, the existing toilet blocks have been refurbished to a similar specification as the new facilities.
- ➔ **Ease of finding your way through the airport** – fresh, clear new signage in the extended part of the terminal, in conjunction with an ongoing focus on improving wayfinding signage at the airport has made it even easier for passengers to find what they are looking for.

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<sup>1</sup> Source: ACI ASQ yearly ranking Q2 2016 – Q1 2017

- ➔ **Availability of free baggage trolleys** – it is easier than ever for passengers to move their luggage with the addition of 900 easy to maneuver baggage trolleys, complete with automatic braking to help contend with the Wellington wind.

### ***Operational Excellence***

Formal TEAM WLG meetings are undertaken three times a year to discuss the combined service provided to our customers. ASQ results are discussed and ideas for improvement are presented to the forum by stakeholders. Another reoccurring topic is the discussion on service disrupts and the lessons learned from those disrupts. Because of the size of Wellington Airport stakeholders know each other well and are able to make quick and efficient changes to the way the airport operates.

### ***Operational Resilience***

The resilience of the airport was tested during the 7.8 Kaikoura earthquake. The intensity of the shaking was recorded by on site accelerometers, allowing WIAL to accurately assess the severity of the ground movement and inspect the facilities according to pre-planned checklists. The earthquake coincided with two aircraft having recently landed at Wellington Airport with two more international services approaching. Within 25 minutes WIAL had undertaken a full inspection of critical facilities to confirm serviceability as well as an assessment of the risk of a tsunami, and had reopened. WIAL's emergency response procedures worked efficiently and as expected.

To further improve emergency response and business continuity a mobile app has been developed to ensure all the relevant procedures are readily accessible. The app can be used to initiate the emergency response and also to run status reports and communicate with relevant key stakeholders.

WIAL is a member of the Wellington Lifelines Council as the airport is vital infrastructure for the Wellington region. The airport buildings are some of the most resilient in Wellington and built to Importance Level Three. The airport is required under the Civil Defence Emergency Management Act to return to a level of safe operations as soon as possible, even if only to assist with a regional recovery effort.

WIAL is also currently undertaking a review of the remaining asset life of the southern seawall and breakwater. Reports commissioned in 1994 and 2016 both estimate the southern seawall and breakwater will be approaching the end of its economic life around the mid-2020s, and WIAL expects to consult with its major airline customers in due course regarding possible courses of action to ensure the ongoing resilience of these structures.

WIAL has been working with the Wellington Regional Emergency Management Office (**WREMO**) and leading GNS scientists to review the tsunami threat to the airport and response procedures that are appropriate. The Lifelines group initiatives include:

- ➔ Learning from each other and coordinating activities
- ➔ Facilitating discussion, particularly on hazard understanding and risk reduction measures on the Wellington region's infrastructure
- ➔ Identifying and mitigating the effects of hazards on infrastructure
- ➔ Facilitating an increased understanding of the interdependencies between infrastructure organisations
- ➔ Developing best practice approaches to risk reduction, readiness, response and recovery for lifelines
- ➔ Maintaining awareness of the importance of lifelines, and of reducing their vulnerabilities

### ***Environment & Sustainability***

WIAL understands that the operation and development of Wellington Airport has environmental impacts.

WIAL takes seriously the responsibility to manage the airport in a sustainable and environmentally responsible manner and with a commitment to the following environmental principles:

- ➔ Adopting best practice environmental procedures where practicable
- ➔ Compliance with all applicable environmental legislation and regulations
- ➔ Continuous environmental improvement and prevention of adverse environmental effects
- ➔ Respect for the environment and the efficient use of natural resources in building, construction and operations.
- ➔ Understanding environmental issues and risks in the airport's development, operation and maintenance and taking these into account in decision making
- ➔ Establishing an environment that stimulates innovation in efficiencies by our staff and other airport users
- ➔ Monitoring, reporting and review of environmental objectives, targets and programmes
- ➔ Ensuring commitment and support from all TEAM WLG stakeholders

## 5. Sharing the Benefits of Efficiency Gains with Customers

WIAL is seeking to deliver a high standard of service and quality to its airline partners, customers, and the many businesses and agencies that work at the airport. WIAL's success is intertwined with the Wellington region's growth and economy.

WIAL is investing in promoting and incentivising the sustainable growth in airline services, and in the appropriate infrastructure that provides quality facilities at prices that represent value for money.

For the first time, WIAL's annual domestic passenger numbers exceeded 5 million in 2017. This growth reflects the expansion of regional services provided by Sounds Air, Jetstar providing further competition in the regional market and Air New Zealand's introduction of larger aircraft on some domestic services and increased capacity on others.

International passenger numbers have more than doubled in the last 15 years to nearly 900,000. In 2017 the growth has levelled off following a significant increase of 16% or 122,000 passengers in 2016 (five times the average) which was driven by new airlines, additional capacity and the marketing of Wellington as a destination. In part this was an expected consolidation, but there are other factors channeling New Zealand's international growth via Auckland and Christchurch as a lot of that growth is on long-haul services.

WIAL considers that airports have a significant role in developing a region's connectivity and growth, and in fostering airline competition. WIAL is continuing to invest in infrastructure and airline growth with this in mind. A published incentive scheme for domestic and international growth is available to all airlines, which is intended to encourage and support sustainable new routes and increases in capacity. Airline growth incentives have contributed towards new services and capacity growth providing consumers with more options, increasing competition, and contributing to lower airfares.

WIAL has invested significantly in route development over the last few years, contributing to the introduction of new international services from Jetstar, Fiji Airways, Qantas and Singapore Airlines. The much anticipated arrival in September 2016 of the Singapore Airlines Boeing 777 service flying between Wellington, Canberra and Singapore from September 2016 added 110,000 seats per annum and is estimated to deliver a \$95 million per annum increase in visitor spend to New Zealand.

In addition WIAL has supported our airline partners by providing marketing support to increase the awareness of routes to and from central New Zealand, and also supports New Zealand's Tourism 2025 strategy to sustainably grow air connectivity and improve the regional dispersal of tourists throughout the country. WIAL also works closely with the Wellington Regional Economic Development Agency to support their efforts to grow business, trade, tourism for the lower North Island and advance the prosperity, vibrancy and livability of the Wellington region.

Wellington Airport has low operating costs per passenger compared to other Australasian airports and has efficiently managed its costs since the start of the ID Regime. Operating costs are under ongoing pressure, in particular with substantial increases in fire service levies, council rates, an expanded terminal and associated costs and an ongoing focus on economic regulation.

## 6. Delivering Value to Our Customers and Earning a Fair and Reasonable Return Over Time

WIAL's actual return on investment is set out in Schedule 1 of the Annual Disclosure. The return over the last seven years has been as follows:

Year	WIAL's Post Tax Return on Investment	WIAL's Return on Investment excluding Revaluations	Commission's 75 <sup>th</sup> percentile Cost of Capital Published for WIAL	Cumulative Impact on Revenue based on 75 <sup>th</sup> percentile <sup>(1)</sup>	Commission's 50 <sup>th</sup> percentile Cost of Capital Published for WIAL	Cumulative Impact on Revenue based on 50 <sup>th</sup> percentile <sup>(1)</sup>
2011	6.16%	5.10%	9.18%	\$26.0 million shortfall	8.19%	\$16.5 million shortfall
2012	6.91%	5.46%	8.73%	\$40.6 million shortfall	7.75%	\$23.0 million shortfall
2013	6.23%	5.43%	8.04%	\$54.4 million shortfall	7.06%	\$29.1 million shortfall
2014	4.18%	6.63%	7.67%	\$78.8 million shortfall	6.69%	\$46.1 million shortfall
2015	6.13%	6.05%	8.40%	\$93.0 million shortfall	7.42%	\$54.0 million shortfall
2016	9.67%	6.86%	7.69%	\$81.6 million shortfall	6.71%	\$37.1 million shortfall
2017	8.58%	6.70%	7.12%	\$73.1 million shortfall	6.14%	\$22.9 million shortfall

(1) Shown in 2017 present value terms

The regulatory profit for the year has decreased slightly to \$36.8m (2016: \$38.4m profit). This provides a Return on Investment (**ROI**) of 8.58%, or 6.70% excluding revaluations.

The ROI is calculated in accordance with the Determination by dividing the regulatory return, including CPI indexed asset revaluations and revaluations from updated land revaluations, by the

regulatory investment value (comprising the commencing asset base plus an allowance for additions and disposals during the year).

As shown in the table above, actual returns for all years prior to 2016 since the commencement of the ID Regime are below the cost of capital determinations released by the Commission for WIAL. The actual returns for 2016 and 2017 are above the cost of capital determination released by the Commission for WIAL for those years, largely due to the revaluation of assets, timing of capital expenditure compared to forecast and a decrease in the risk free rate. Excluding the impact of revaluations, WIAL's 2017 return is below the Commission's 75<sup>th</sup> percentile cost of capital determination.

The revenue shortfalls in the table demonstrate that WIAL is not earning excessive profits and has, overall, been earning revenues well below the levels that would be derived from applying the Commission's IMs since the start of ID. The variability in annual returns over the seven year period reflects the wide range of risks inherent in an airport business. Also, the variance between actual and forecast returns demonstrates the need to be cautious in drawing conclusions from targeted returns, and should also consider actual returns over a longer period of time.

## **7. Contact Person**

In the case of any queries, the contact person for this disclosure is:

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Chief Financial Officer  
P O Box 14175  
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## Specified Airport Services Information Disclosure Requirements Information Templates for Schedules 1–17

Company Name	<a href="#">Wellington International Airport Limited</a>
Disclosure Date	<a href="#">31 August 2017</a>
Disclosure Year (year ended)	<a href="#">31 March 2017</a>
Pricing period starting year (year ended) <sup>1</sup>	<a href="#">31 March 2015</a>

<sup>1</sup> Pricing period starting year of the pricing period in place at the end of the disclosure year. Is used in clause b schedule 6.

**Templates for schedules 1–17 (Annual Disclosure)**  
**Version 3.0. Prepared 20 December 2016**

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2	<a href="#"><u>REPORT ON THE REGULATORY PROFIT</u></a>
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4	<a href="#"><u>REPORT ON REGULATORY ASSET BASE ROLL FORWARD</u></a>
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15	<a href="#"><u>REPORT ON OPERATIONAL IMPROVEMENT PROCESSES</u></a>
16	<a href="#"><u>REPORT ON ASSOCIATED STATISTICS</u></a>
17	<a href="#"><u>REPORT ON PRICING STATISTICS</u></a>

## 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 is not required in respect of year CY – 1.

*Schedule 6 comparison of actual and forecast expenditures*

Clause 6a of schedule 6 compares actual expenditures with expenditures forecast in respect of the most recent price setting event.

The calculated cells G10:G11, G14:G16, G19:G28 determine, from clause 6b, the forecast expenditure for the current disclosure year.

The calculated cells M10:M11, M14:M16, M19:M28 determine, from clause 6b, the forecast expenditure to date.

The formulas in the calculated cells assume that the current disclosure falls within the five year pricing period. Cell C65 notes which of the pricing period years disclosed in clause 6b coincides with the current disclosure year.

Regulated Airport  
For Year Ended

**Wellington International Airport Limited**  
**31 March 2017**

# **SCHEDULE 1: REPORT ON RETURN ON INVESTMENT**

ref Version 3.0

(\$000 unless otherwise specified)

## **1a: Return on Investment**

		CY-2 *	CY-1 *	Current Year CY
	for year ended	31 Mar 15	31 Mar 16	31 Mar 17
<b>Return on Investment (ROI)</b>				
Regulatory profit / (loss)		25,184	38,351	36,777
less Notional interest tax shield		1,084	857	766
Adjusted regulatory profit		24,100	37,494	36,011
Regulatory investment value		393,091	387,905	419,676
ROI—comparable to a post tax WACC (%)		6.13%	9.67%	8.58%
Post tax WACC (%)		7.42%	6.71%	6.14%
ROI—comparable to a vanilla WACC (%)		6.41%	9.89%	8.76%
Vanilla WACC (%)		7.70%	6.93%	6.33%

## **Commentary on Return on Investment**

WIAL has provided commentary on its return on investment in the Executive Summary accompanying these Annual Disclosures. The current year ROI is 8.58% or 6.70% excluding revaluations.

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

Regulated Airport  
For Year Ended

**Wellington International Airport Limited**  
**31 March 2017**

**SCHEDULE 1: REPORT ON RETURN ON INVESTMENT (cont)**

ref Version 3.0

(\$000 unless otherwise specified)

**1b: Notes to the Report**

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

RAB value - previous year	389,550
Debt leverage assumption (%)	17%
Cost of debt assumption (%)	4.13%
Notional deductible interest	2,735
Tax rate (%)	28.0%
Notional interest tax shield	766

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

Regulatory asset base value - previous year	389,550
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		Assets Commissioned— RAB Value (\$000)	Proportion of Year Available (%)	Proportionate Regulatory Value
Commissioned Projects				
	Gates	233	67%	155
	Apron	3,761	75%	2,821
	Movement Areas	272	0%	—
	Terminal South Extension	52,520	42%	21,883
	International Arrivals Enhancement	7,016	50%	3,508
	Residential Acquisitions	230	83%	192
				—
plus	Other assets commissioned	3,208	50%	1,604
plus	Adjustment for merger, acquisition or sale activity			—
less	Asset disposals	75	50%	37
	RAB investment	67,166		
	RAB proportionate investment			30,126
	Regulatory investment value			419,676

Page 2

Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
**31 March 2017****SCHEDULE 2: REPORT ON THE REGULATORY PROFIT**

ref Version 3.0

**2a: Regulatory Profit**

Income		(\$000)	
	Landing and parking charges	39,529	
	Terminal charges	28,145	
	Counter charges	685	
	Noise mitigation charges	1,954	
	Lease, rental and concession income	4,161	
	Other operating revenue	-	
	Net operating revenue		74,474
	Gains / (losses) on sale of assets	2	
	Other income	-	
	Total regulatory income		74,476
Expenses			
	Operational expenditure:		
	Corporate overheads	3,814	
	Asset management and airport operations	12,906	
	Asset maintenance	2,480	
	Total operational expenditure		19,200
	Operating surplus / (deficit)		55,276
	Regulatory depreciation		14,263
plus	Indexed revaluation	8,438	
plus	Periodic land revaluations	-	
	Total revaluations		8,438
	Regulatory Profit / (Loss) before tax		49,451
less	Regulatory tax allowance		12,674
	Regulatory Profit / (Loss)		36,777

**Commentary on Regulatory Profit**

The regulatory profit has decreased from the previous year to \$36.8m (2016: \$38.4m), providing a Return on Investment (ROI) of 8.58% or 6.70% excluding revaluations (2016: 9.67% or 6.86% excluding revaluations). WIAL has provided further commentary on its regulatory profit in the Executive Summary accompanying these Annual Disclosures.

Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
**31 March 2017****SCHEDULE 2: REPORT ON THE REGULATORY PROFIT (cont)**

ref Version 3.0

(\$000 unless otherwise specified)

**2b: Notes to the Report****2b(i): Financial Incentives**

			(\$000)
	Pricing incentives	4,953	
	Other incentives	417	
	Total financial incentives		5,370

**2b(ii): Rates and Levy Costs**

		(\$000)
	Rates and levy costs	1,350

**2b(iii): Merger and Acquisition Expenses**

		(\$000)
	Merger and acquisition expenses	—

**Justification for Merger and Acquisition Expenses**

N/A

Regulated Airport  
For Year EndedWellington International Airport Limited  
31 March 2017

## SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref Version 3.0

## 3a: Regulatory Tax Allowance

(\$000)

Regulatory profit / (loss) before tax	49,451
<i>plus</i> Regulatory depreciation	14,263
Other permanent differences—not deductible	27 *
Other temporary adjustments—current period	1,102 *
	15,392
<i>less</i> Total revaluations	8,438
Tax depreciation	9,252
Notional deductible interest	2,735
Other permanent differences—non taxable	— *
Other temporary adjustments—prior period	(847) *
	19,579
Regulatory taxable income (loss)	45,264
<i>less</i> Tax losses used	—
Net taxable income	45,264
Statutory tax rate (%)	28.0%
Regulatory tax allowance	12,674

\* 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).

The tax adjustments/differences detailed in Schedule 3 were determined as follows:

- Other permanent differences - not deductible - 50% of entertainment expenditure is non-deductible expenditure for tax purposes and this adjustment represents the allocated share of the total non-deductible expenditure in WIAL's 2017 tax return. Entertainment expenditure was allocated to the regulated cost base following application of the cost allocation processes detailed in Schedule 10. The aeronautical share of entertainment expenses was applied to the tax adjustment in WIAL's tax calculation schedule for the 2017 financial year - comprising a company cost of \$44,627 multiplied by a 59.85% aeronautical share of this expense.
- Other temporary adjustments current period - these comprise year end accruals for human resource costs (annual leave, bonus provision and ACC levies) that are not deductible in the year they are accrued. These amounts represent the amounts allocated to the aeronautical business - comprising a company accrual of \$1,428,826 multiplied by a 77.13% aeronautical share of this expense.
- Other temporary adjustments prior period - these comprise the human resource year end accruals as described above for the previous year.

WIAL notes that the Determination currently defines "other temporary adjustments – prior period" to include depreciation. The Commission has separately confirmed that depreciation should be excluded from this adjustment and on 22 March 2012 provided WIAL with an exemption from the requirement in the Determination.

## 3b(ii): Tax Depreciation Roll-Forward

(\$000)

Opening RAB (Tax Value)	179,060
<i>plus</i> Regulatory tax asset value of additions	64,865
<i>less</i> Regulatory tax asset value of disposals	—
<i>plus</i> Regulatory tax asset value of assets transferred from/(to) unregulated asset base	(172)
<i>less</i> Tax depreciation	9,252
<i>plus</i> Other adjustments to the RAB tax value	750
Closing RAB (tax value)	235,251

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

(\$000)

Tax losses (regulated business)—prior period	—
<i>plus</i> Current year tax losses	—
<i>less</i> Tax losses used	—
Tax losses (regulated business)	—

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Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
**31 March 2017****SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD**

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	Unallocated RAB *	RAB
	(\$000)	(\$000)
<b>RAB value—previous disclosure year</b>	<b>401,781</b>	<b>389,550</b>
<i>less</i>		
<b>Regulatory depreciation</b>	<b>15,019</b>	<b>14,263</b>
<i>plus</i>		
Indexed revaluations	8,703	8,438
Periodic land revaluations	—	—
<b>Total revaluations</b>	<b>8,703</b>	<b>8,438</b>
<i>plus</i>		
Assets commissioned (other than below)	69,750	67,241
Assets acquired from a regulated supplier	—	—
Assets acquired from a related party	—	—
<b>Assets commissioned</b>	<b>69,750</b>	<b>67,241</b>
<i>less</i>		
Asset disposals (other)	(44)	(45)
Asset disposals to a regulated supplier	—	—
Asset disposals to a related party	139	120
<b>Asset disposals</b>	<b>95</b>	<b>75</b>
<i>plus</i> <b>Lost and found assets adjustment</b>	<b>—</b>	<b>—</b>
<b>Adjustment resulting from cost allocation</b>		<b>1,536</b>
<b>RAB value <sup>†</sup></b>	<b>465,119</b>	<b>452,427</b>

**Commentary**Asset Transfers

Assets acquired from a related party and asset disposals to a related party relate to a change in the use of certain assets. A change in asset use requires adjustments to the asset base to add or subtract the value of those assets from the RAB based on their current usage (either aeronautical or non-aeronautical).

Asset Disposals

Asset disposals in the current year relate primarily to a small office space in the north pier no longer used for aeronautical activities.

Cost Allocation Adjustment

WIAL's allocation methodology for the allocation of common assets to regulated and non-regulated assets has not changed from the previous year. The allocation methodology is detailed in Schedule 9. While the methodology is unchanged the allocation factors, such as floor area, were amended as a result of changes to the asset base during the year.

\* 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.

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

**4b: Notes to the Report****4b(i): Regulatory Depreciation**

	Unallocated RAB (\$000)	RAB (\$000)
Standard depreciation	15,019	14,263
Non-standard depreciation	—	—
<b>Regulatory depreciation</b>	<b>15,019</b>	<b>14,263</b>

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Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
**31 March 2017****SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD (cont)**

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(\$000 unless otherwise specified)

**4b(ii): Non-Standard Depreciation Disclosure**

Non-standard Depreciation Methodology	Depreciation charge for the period (RAB)	Year change made (year ended)	RAB value under 'non-standard' depreciation	RAB value under 'standard' depreciation
N/A				

**4b(iii): Non-Standard Depreciation Disclosure for Year of Change**

Summary of Change	Justification for change in depreciation methodology	Extent of customer disagreement and supplier response
N/A		

**4b(iv): Calculation of Revaluation Rate and Indexed Revaluation of Fixed Assets**

CPI at CPI reference date—previous year (index value)	1,200
CPI at CPI reference date—current year (index value)	1,226
Revaluation rate (%)	2.17%

	Unallocated RAB	RAB
RAB value—previous disclosure year	401,781	389,550
less Revalued land	—	—
less Assets with nil physical asset life	24	22
less Asset disposals	95	75
less Lost asset adjustment	—	—
Indexed revaluation	8,703	8,438

**4b(v): Works Under Construction**

	Unallocated works under construction	Allocated works under construction
Works under construction—previous disclosure year	58,775	40,504
plus Capital expenditure	57,936	39,084
less Asset commissioned	69,750	67,241
less Offsetting revenue	—	—
plus Adjustment resulting from cost allocation	—	—
Works under construction	46,961	12,347

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Regulated Airport  
For Year Ended

**Wellington International Airport Limited**  
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**SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD (cont)**

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

Capacity growth	26,470	
plus Asset replacement and renewal	12,615	
Total capital expenditure		39,084

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

	Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
RAB value—previous disclosure year	118,782	122,133	133,863	14,772	389,550
less Regulatory depreciation	—	4,656	6,553	3,055	14,263
plus Indexed revaluations	2,574	2,646	2,898	320	8,438
plus Periodic land revaluations	—	—	—	—	—
plus Assets commissioned	435	24,309	39,643	2,854	67,241
less Asset disposals	(46)	—	118	3	75
plus Lost and found assets adjustment	—	—	—	—	—
plus Adjustment resulting from cost allocation	(3)	36	1,245	258	1,536
RAB value	121,833	144,469	170,978	15,147	452,427

\* Corresponds to values in RAB roll forward calculation.

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

	Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total
Assets held for future use—previous disclosure year	7,526	4,460	307	69	11,748
plus Assets held for future use—additions <sup>1</sup>	134	982	162	(62)	893
less Transfer to works under construction	—	—	—	—	—
less Assets held for future use—disposals	0	3	13	10	0
Assets held for future use <sup>2</sup>	7,660	5,439	456	(3)	12,641

<sup>1</sup> Holding Costs, Net Revenues, and Tracking Revaluations entries in the 'Assets held for future use—additions' line relate to the value incurred during the disclosure year.

<sup>2</sup> Each category value shown in the 'Assets held for future use' line (Base Value, Holding Costs, Net Revenues, and Tracking Revaluations) is carried forward into the following year's disclosure as 'Assets held for future use—previous disclosure year'.

Highest rate of finance applied (%) 6.10%

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## SCHEDULE 6: REPORT ON ACTUAL TO FORECAST EXPENDITURE

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## 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	26,470	—	Not defined	62,385	44,001	41.8%
Asset replacement and renewal	12,615	14,273	(11.6%)	24,704	48,673	(49.2%)
Total capital expenditure	39,084	14,273	173.8%	87,088	92,674	(6.0%)
Corporate overheads	3,814	3,998	(4.6%)	10,754	11,374	(5.5%)
Asset management and airport operations	12,906	13,147	(1.8%)	36,188	39,496	(8.4%)
Asset maintenance	2,480	2,917	(15.0%)	6,994	8,150	(14.2%)
Total operational expenditure	19,200	20,062	(4.3%)	53,936	59,021	(8.6%)
<b>Key Capital Expenditure Projects</b>						
Marine Protection	1,391	1,053	32.1%	1,990	2,413	(17.5%)
Gates	99	412	(76.0%)	445	1,409	(68.4%)
Aprons	3,741	1,234	203.1%	4,149	3,109	33.5%
Movement Areas	1,794	824	117.7%	4,996	6,484	(22.9%)
Operational Compliance Works	99	1,423	(93.0%)	1,109	4,332	(74.4%)
Other Airside Works	—	101	(100.0%)	—	309	(100.0%)
Other Airfield (including Clearway)	—	—	Not defined	37	1,751	(97.9%)
Relocation AFS/ Airside Operations	—	4,769	(100.0%)	—	4,769	(100.0%)
MAGS / Guard Lights	—	—	Not defined	—	2,081	(100.0%)
Terminal South Extension - Terminal	16,169	—	Not defined	49,797	31,925	56.0%
Terminal South Extension - Southern Apron	—	—	Not defined	—	11,702	(100.0%)
North Terminal Development - Domestic Passenger Facilitation	—	—	Not defined	1,635	2,040	(19.9%)
Main Terminal Building - Central Hall	218	—	Not defined	272	1,394	(80.5%)
Multi Level Transport Hub - Roading and Infrastructure	2,262	—	Not defined	2,859	—	Not defined
International Arrivals Enhancement	7,821	—	Not defined	7,821	—	Not defined
Noise Mitigation Works	230	1,569	(85.3%)	625	6,443	(90.3%)
Other capital expenditure	5,260	2,888	82.1%	11,351	12,514	(9.3%)
Total capital expenditure	39,084	14,273	173.8%	87,086	92,674	(6.0%)

## Explanation of Variances

## Capital Expenditure

Actual capital expenditure was greater than forecast in the year ended 31 March 2017 (2017) (\$39.1m actual compared to a forecast of \$14.3m). The main reason for the variance to forecast in 2017 is the Terminal South Extension ("TSE") project being forecast for completion in 2016 but delayed to 2017 due to extended consultation with substantial airline customers and increased demand on turbo prop aircraft parking resulting in changes to project sequencing. In addition, WIAL completed \$7.8m in unforecast enhancements to the international arrivals area to improve levels of service and assist with a greater than expected increase in international passenger numbers.

Actual capital expenditure for the PSE3 pricing period to date is \$5.6m below forecast (\$87.1m compared to a forecast of \$92.7m). The primary driver of the variance to forecast in PSE3 to date is the unpredictable nature of the Noise Mitigation Works as acquisitions are dependent on home owners offering their properties for sale. WIAL remains committed to progressing each of the specified projects within PSE3, but notes the following variances from forecast for the current year and/or to date:

## Marine Protection

## 2017

Capital expenditure was \$0.2m greater than forecast in 2017. The 2016 forecast included the manufacture and deployment of Akmons for protection of the southern seawall. This work has commenced in early 2017 with the manufacture of 150 Akmon units to meet sea protection requirements.

## PSE3 to date

Capital expenditure is \$0.4m below forecast for PSE3 to date. The PSE3 forecast included the manufacture and deployment of Akmons as noted above. This work is underway and is expected to be completed in 2018.

## Gates, Aprons and Movement Areas

## 2017

Capital expenditure for the airfield relating to Gates, Aprons and Movement Areas categories is managed in aggregate. The overall actual capital expenditure of \$5.6m for 2017 was \$3.1m above forecast. This primarily relates to improvements to stub taxiway Bravo 5 to assist movement of code E aircraft.

## PSE3 to date

Capital expenditure on Gates, Aprons and Movement Areas in PSE3 to date is \$1.4m below forecast. The forecast provided for expenditure on the Eastern Apron (including Bravo 8 and Bravo 9) which has been largely addressed as part of the Southern Apron development design (within the TSE project) to enable the most efficient method of delivery.

## Operational Compliance Works

## 2017

Capital expenditure in 2017 was \$1.3m below forecast. Work to install Nose-in Guidance units ("NIGS") on additional gates commenced with acquisitions in 2016, a year earlier than forecast, and 2017 saw several installations of the equipment proceed along with further acquisitions.

## PSE3 to date

Capital Expenditure on Operational Compliance Works is \$3.2m below forecast for PSE3 to date. The forecast for this category included provision for jet blast deflectors, NIGS units and upgrading the pedestrian subway. The pedestrian subway project was completed in 2015 at a lower than expected cost. The jet blast deflectors project has been deferred. The NIGS rollout is expected to continue in 2018.

## Other Airfield (including Clearway)

Capital expenditure for PSE3 to date is \$37k against a PSE3 forecast of \$1.8m. The Clearway project was completed earlier than expected in 2014, enabling increased payload for certain aircraft operating out of Wellington. The amount included in PSE3 to date reflects retentions relating to the Clearway project that were finalised in 2016.

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

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

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## SCHEDULE 6: REPORT ON ACTUAL TO FORECAST EXPENDITURE

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## Explanation of Variances (continued)

## Capital Expenditure (continued)

Relocation AFS/Airside Operations2017 and PSE3 to date

Capital Expenditure on the relocation of AFS/Airside Operations was initially envisaged as being required during the PSE3 pricing period but due to other priorities this work has been deferred until next pricing period.

MAGS/Guard Lights

Capital expenditure for MAGS was deferred to 2018. Planning works are underway and the project is expected to commence in the 2018 financial year.

Terminal South Extension2017

The forecast for the Terminal South Extension project ("TSE") was broken down into separate terminal and apron elements but the actual expenditure has subsequently been combined due to the interdependencies between the two elements of the project.

Capital expenditure for TSE was \$16.2m compared to a forecast of \$nil for 2017 as the expenditure was forecast for 2016. The reasons for the timing change are noted in the following paragraph.

PSE3 to date

The TSE project was opened in November 2016, and was delivered within the Board approved budget. There has been an overwhelming amount of positive feedback on the new terminal from passengers and airport stakeholders alike, and this is reflected in the increase in WIAL's Quarterly ASQ score in Q1 2017 of 4.3, an increase of 0.3 from the same quarter in 2016. Capital expenditure for TSE was \$49.8m actual compared to an aeronautical pricing forecast of \$43.6m across the two TSE key capital expenditure projects in the PSE3 forecast. In the PSE3 forecast, the project had been expected to enter the construction phase in August 2014 but construction did not ultimately commence until December 2014 due to an extended period of consultation with substantial airline customers. The scope of the project also increased compared to the pricing forecast, primarily due to increased demand on turbo prop aircraft parking driving changes to project sequencing and the addition of additional airfield in-ground lighting works not originally in scope.

North Terminal Development – Domestic Passenger FacilitationPSE3 to date

The North Pier reconfiguration work was completed in January 2015 for \$1.6m actual compared to the \$2.0m forecast for the 2015 year. Minor additional costs were incurred in 2016 prior to the financial close of the project.

Main Terminal Building – Central Hall2017 and PSE3 to date

Capital expenditure for MTB – Central Hall was \$218k compared to a forecast of \$nil for 2017. Early design work for the Main Terminal Central Hall work commenced during the year 2016 and was furthered in 2017, with construction due to commence in 2018 following completion of the TSE project.

Multi Level Transport Hub – Roading and Infrastructure2017 and PSE3 to date

Capital expenditure for Multi Level Transport Hub – Roading and Infrastructure was \$2.3m compared to a forecast of \$nil. The project includes provision for certain shared roading elements which provide access for pick-up and drop-off as well as facilitating other ground transport movements. The \$2.9m spend to date relates to the aeronautical component of that project based on a projection of the overall shared element of the total project.

International Arrivals Enhancement2017 and PSE3 to date

Capital expenditure for International Arrivals Enhancement was \$7.8m compared to a forecast of \$nil. The expenditure related to unforecast enhancements to the international arrivals area to improve levels of service and assist with an unforecast large increase in international passenger numbers.

Noise Mitigation Works2017

Capital expenditure for Noise Mitigation Works for 2017 is below budget by \$1.3m. Three properties were budgeted to be purchased, however acquisitions are dependent on home owners offering their properties for sale. Only two properties were purchased in 2017, and as these houses were written off during the year, only the land value is reflected in capital expenditure for the year.

PSE3 to date

The forecast for PSE3 to date is below forecast by \$5.8m. Both 2015 and 2016 provided for the acquisition of six houses and for 2017 an acquisition of a further 3 (a total of 15 houses for PSE3 to date). Two properties were purchased for \$0.9m in 2015, however as the buildings were removed and written off within the same year the building value is not included in the capital expenditure of \$0.6m for PSE3 to date.

Other capital expenditure2017

Other capital expenditure was \$5.3m compared to a forecast of \$2.9m in 2017, \$2.4m above forecast. The variance to forecast is primarily due to higher than forecast capital expenditure relating to IT projects such as Common User Terminal Equipment, CCTV, Public Address system and Airport 20/20 System Enhancements (ACDM and RMS modules). Refer to Schedule 15 for further commentary.

PSE3 to date

Other capital expenditure was \$11.1m compared to a forecast of \$12.5m for PSE3 to date. In addition to the projects noted for 2017 above, PSE3 actual spend includes expenditure on upgrades for the core IT network upgrades and WIAL's corporate intranet. The variance to forecast is primarily due to timing differences where projects have commenced later than expected and also due to cost savings.

## Operational Expenditure

Total Operational Expenditure was \$19.2m compared to a forecast of \$20.1m. Variances between actual and forecast CPI inflation have impacted across all operating expenditure categories. The actual increase in CPI for 2017 was 2.2% compared to a forecast increase of 2.0%, and combines with 2016's low actual inflation to result in the main variances to budget seen in table 6a above. The actual increase in CPI for PSE3 to date was 2.9% compared to a forecast CPI increase assumption of 7.0%. The variance in the inflation assumption and the lower than forecast number of residential properties acquired are the main drivers of the \$0.9m variance across total operational expenditure for the 2017 year.

Other drivers of the variances to forecast in Operational Expenditure that were greater than 10% are outlined below:

Asset Maintenance2017

Asset Maintenance expenditure for 2017 was \$2.5m compared to a forecast of \$2.9m. The variance of \$0.4m includes a variance of \$0.5m for an amount in the 2017 forecast for the removal of Bridge St bund that has been deferred due to other priorities.

PSE3 to date

Asset Maintenance expenditure for PSE3 to date is \$6.9m compared to a forecast of \$8.2m. The variance of \$1.3m to forecast includes a variance of \$1.0m for an amount in the 2016 and 2017 forecasts for the removal of Bridge St bund that did not occur, plus \$0.1m relating to the lower than forecast CPI (as noted above).

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

\* Disclosure year Pricing Period Starting Year.

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

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## 6b: Forecast Expenditure

From most recent disclosure following a price setting event

Starting year of current pricing period (year ended)

31 March 2015

## Expenditure by Category

	Pricing Period Starting Year	Pricing Period Starting Year + 1	Pricing Period Starting Year + 2	Pricing Period Starting Year + 3	Pricing Period Starting Year + 4
for year ended	31 Mar 15	31 Mar 16	31 Mar 17	31 Mar 18	31 Mar 19
Capacity growth	15,337	28,664	—	3,562	8,943
Asset replacement and renewal	23,079	11,321	14,273	15,464	4,221
Total forecast capital expenditure	38,416	39,985	14,273	19,026	13,164
Corporate overheads	3,606	3,770	3,998	4,081	3,895
Asset management and airport operations	12,818	13,532	13,147	13,556	13,044
Asset maintenance	2,392	2,842	2,917	2,487	2,549
Total forecast operational expenditure	18,816	20,143	20,062	20,124	19,488

## Key Capital Expenditure Projects

	Pricing Period Starting Year	Pricing Period Starting Year + 1	Pricing Period Starting Year + 2	Pricing Period Starting Year + 3	Pricing Period Starting Year + 4
for year ended	31 Mar 15	31 Mar 16	31 Mar 17	31 Mar 18	31 Mar 19
Marine Protection	842	518	1,053	900	550
Gates	797	201	412	55	61
Aprons	926	949	1,234	336	37
Movement Areas	4,619	1,041	824	10,559	183
Operational Compliance Works	2,909	—	1,423	—	367
Other Airside Works	109	99	101	79	61
Other Airfield (including Clearway)	1,751	—	—	—	—
Relocation AFS/ Airside Operations	—	—	4,769	—	—
MAGS / Guard Lights	—	2,081	—	—	—
Runway Capacity Utilisation Improvements	—	—	—	2,198	—
Southern Apron Development (Stage 2)	—	—	—	1,364	6,944
Terminal South Extension - Terminal	11,787	20,138	—	—	—
Terminal South Extension - Southern Apron	4,570	7,132	—	—	—
Main Terminal Building - Central Hall	—	1,394	—	—	—
Main Terminal Building - Building Flow	—	—	—	—	3,333
North Terminal Development - Domestic Passenger Facilitation	2,040	—	—	—	—
North Terminal Development - International Expansion	—	—	—	—	—
Noise Mitigation Works	2,383	2,491	1,569	1,633	—
Other capital expenditure	5,683	3,942	2,888	1,902	1,629
Total forecast capital expenditure	38,415	39,985	14,273	19,026	13,164

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Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
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ref Version 3.0

		( \$000 )			
		Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*
6					
7					
8	Landing and parking charges	–	39,529	–	39,529
9	Terminal charges	28,145	–	–	28,145
10	Counter charges	685	–	–	685
11	Noise mitigation charges	–	1,954	–	1,954
12	Lease, rental and concession income	1,931	292	1,938	4,161
13	Other operating revenue	–	–	–	–
14	Net operating revenue	30,761	41,775	1,938	74,474
15					
16	Gains / (losses) on asset sales	–	–	2	2
17	Other income	–	–	–	–
18	Total regulatory income	30,761	41,775	1,940	74,476
19					
20	Total operational expenditure	8,767	10,093	340	19,200
21					
22	Regulatory depreciation	8,180	5,703	380	14,263
23					
24	Total revaluations	2,912	5,145	381	8,438
25					
26	Regulatory tax allowance	4,991	7,321	362	12,674
27					
28	Regulatory profit/ loss	11,735	23,803	1,239	36,777
29					
30	Regulatory investment value	149,814	252,242	17,620	419,676

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

**Commentary on Segmented Information**Specified Passenger Terminal and Airfield Activities

The segmented outcomes above produce ROI's of 7.8% or 5.9% excluding revaluations (2016: 5.9% or 5.3% excluding revaluations) for the specified passenger terminal activity and 9.4% or 7.4% excluding revaluations (2016: 12.3% or 8.4% excluding revaluations) for the airfield activity. In WIAL's view, these returns are consistent with the forecast outcome from the price setting approach taken for PSE3 after allowing for actual revaluations being higher than forecast.

Aircraft & Freight Activities

This segment produces an ROI of 7.0% or 4.9% excluding revaluations (2016: 8.0% or 4.2% excluding revaluations). WIAL confirms that rental levels for individual tenants are established via commercially negotiated agreements, following receipt of advice from valuers and negotiations with tenants or prospective tenants. Valuers, in forming their advice establish commercial valuations of the properties which reflect their expectation of market rental levels.

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## SCHEDULE 8: CONSOLIDATION STATEMENT

ref Version 3.0

## 8a: CONSOLIDATION STATEMENT

	Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business- GAAP	Unregulated Activities- GAAP	(\$000) Airport Company- GAAP
Net income	74,476	(2)	74,474	45,089	119,563
Total operational expenditure	19,200	—	19,200	10,473	29,673
Operating surplus / (deficit) before interest, depreciation, revaluations and tax	55,276	(2)	55,274	34,616	89,890
Depreciation	14,263	3,642	17,905	3,749	21,654
Revaluations	8,438	(5,568)	2,870	820	3,690
Tax expense	12,674	(11,594)	1,080	597	1,677
Net operating surplus / (deficit) before interest	36,777	2,382	39,158	31,091	70,249
Property plant and equipment	452,427	146,939	599,366	331,056	930,422

## 8b: NOTES TO CONSOLIDATION STATEMENT

## 8b(i): REGULATORY / GAAP ADJUSTMENTS

		Affected Line Item	Regulatory / GAAP Adjustments *
Adjustment of regulatory depreciation to align with GAAP		Depreciation	3,642
Recognition of the difference between the change in MVEU valuation of land adopted in WIAL's statutory financial statements and the indexed revaluations of regulated assets applied in accordance with the Input Methodology		Revaluations	(5,568)
The regulatory tax calculation excludes consideration of deferred tax. In addition, the regulatory tax calculation excludes the reversal of the prior year tax payable resulting from the subvention payment. Both these items are included in the GAAP financial statements		Tax expense	(11,594)
Differences arising from valuation approaches required by Input Methodology		Property plant & equipment	146,939

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

## Commentary on the Consolidation Statement

WIAL notes that the regulatory depreciation for property, plant and equipment will vary from that used in GAAP financial reporting over time. This is due to:

**Depreciation**

- The Input Methodologies (IMs) prescribe calculation rules for regulatory depreciation which differ from financial reporting requirements. For example, depreciation on acquisitions is not recognised in the year of acquisition for regulatory purposes while for financial reporting depreciation commences from the month of acquisition. Similarly, in respect of transfers to/from the regulated asset base the IMs preclude recognition of regulatory depreciation in that year while these assets are depreciated for financial reporting purposes.
- WIAL recognises salvage values for a number of assets in its depreciation calculations meaning these proportions of assets will not be depreciated to nil in WIAL's financial statements. The IMs depreciation formula does not recognise salvage values.

**Revaluations**

The regulatory asset base (excluding land) is rolled forward by CPI indexing in accordance with the Determination. Land is valued at MVAU - see comment under Property, Plant and Equipment below.

**Tax Expense**

The annual tax expense calculated for financial reporting purposes includes recognition of deferred tax adjustments in respect of non-land and building structure assets and the actual financing arrangements undertaken by WIAL. The calculation of the tax expense per the IMs does not recognise deferred tax adjustments and includes a notional tax deduction for financing costs calculated in the manner prescribed by the IMs.

**Property, Plant and Equipment**

Differences in the Property, Plant and Equipment values between the regulatory and GAAP approaches arise from:

- Land valuation – land valuation is recognised at MVAU per the IMs in the RAB while land is required to be valued at fair value, Market Value Existing Use (MVEU) for financial reporting.
- Buildings, civil and plant and equipment assets – different revaluation and depreciation treatments are required for regulatory reporting compared to the requirements for financial reporting. The differences in the processes to calculate depreciation are explained above. In addition, per the IMs for regulatory reporting the value of these assets is required to be increased by CPI annually. Valuations for financial reporting are undertaken periodically with assets, excluding plant and equipment, valued at optimised depreciated replacement cost. Plant and equipment assets are not revalued for financial reporting.
- Future use assets – per the IMs these are excluded from the RAB but are included in the Airport Business GAAP assets for financial reporting purposes.

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## (\$000)

## Asset Allocators

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## SCHEDULE 10: REPORT ON COST ALLOCATIONS

ref Version 3.0

## 10a: Cost Allocations

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	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
<b>Corporate Overheads</b>						
Directly attributable operating costs	–	–	–	–		–
Costs not directly attributable	1,844	1,850	120	3,814	4,472	8,287
<b>Asset Management and Airport Operations</b>						
Directly attributable operating costs	467	5,222	30	5,719		5,719
Costs not directly attributable	5,396	1,602	189	7,187	651	7,838
<b>Asset Maintenance</b>						
Directly attributable operating costs	–	937	2	938		938
Costs not directly attributable	1,060	483	(1)	1,542	223	1,765
Total directly attributable costs	467	6,158	32	6,657		6,657
Total costs not directly attributable	8,300	3,935	308	12,543	5,347	17,890
Total operating costs	8,767	10,093	340	19,200	5,347	24,547

## Cost Allocators

Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
Terminal building costs	Building value	Causal Relationship	Building value considered to be an appropriate indicator of the share of use of the terminal building by regulated and unregulated activities.	All utility and maintenance associated costs for the terminal building.
Operations	Staff time	Causal Relationship	Operations staff operate 24 hour facility overseeing the entire airport and undertake daily facilitation of activities for passengers and other visitors to the airport.	Employee remuneration and ancillary costs for airport operations staff.
Airport planning costs	Staff time	Causal Relationship	Airport planning costs are dependent on staff hours therefore this is seen as the most appropriate allocator.	Employee remuneration and ancillary costs for airport planning staff and external consulting costs required for planning activity.
SQA costs	Staff time	Causal Relationship	Service quality assurance costs are dependent on staff hours therefore this is seen as the most appropriate allocator.	Employee remuneration and ancillary costs for airport service quality assurance staff.
Westside 1* property costs	Rental revenue	Causal Relationship	Property is occupied by a mix of tenants for regulated and unregulated activities. Rental revenue is considered an appropriate indicator of the use of the building.	All utility and maintenance associated costs for the Westside 1 building.
Other Western properties	Rental revenue	Causal Relationship	Properties are occupied by a mix of tenants for regulated and unregulated activities. Rental revenue is considered an appropriate indicator of the use of the buildings.	All utility and maintenance associated costs for the other Western properties.
Residential houses	Rental revenue	Causal Relationship	Houses comprise those compulsorily acquired due to aeronautical activity and other properties purchased for commercial purposes. Rental revenue is considered an appropriate indicator of the use of houses.	All repairs and maintenance, rates and property administration costs for the houses.
Other Eastern properties	Rental revenue	Causal Relationship	Properties are occupied by a mix of tenants for regulated and unregulated activities. Rental revenue is considered an appropriate indicator of the use of the buildings.	All utility and maintenance associated costs for the other Eastern properties.
Property administration	Staff time	Causal Relationship	WIAL property staff undertake property administration functions including communication with tenants, lease negotiations and renewals, and oversight of properties.	Employee remuneration and ancillary costs for airport property staff.
Maintenance	Repairs and maintenance expenditure	Causal Relationship	WIAL maintenance team overseeing maintenance of all WIAL facilities. External maintenance costs allocated to facilities throughout the year is considered an appropriate basis for the allocation of WIAL maintenance staff and associated costs.	Employee remuneration and ancillary costs for airport maintenance staff.
Pricing consultation and regulation	Aeronautical revenue	Causal Relationship	Share of revenue for each regulated activity is considered appropriate to allocate these costs.	External professional advice and support services required to meet consultation and Airport Authorities/Commerce Act requirements.

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

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**SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)**

ref Version 3.0

**10b: Notes to the Report**

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

(\$000)

Effect of Change

Current Year

CY-1  
31 Mar 16

(CY)  
31 Mar 17

CY+1  
31 Mar 18

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**

Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
**31 March 2017****SCHEDULE 11: REPORT ON RELIABILITY MEASURES**

ref Version 3.0

6	<b>Runway</b>	Number	Total Duration	
			Hours	Minutes
7	The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8	Airports	—	—	—
9	Airlines/Other	—	—	—
10	Undetermined reasons	—	—	—
11	Total	—	—	—
12	<b>Taxiway</b>			
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	<b>Remote stands and means of embarkation/disembarkation</b>			
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	<b>Contact stands and airbridges</b>			
25	The number and duration of interruptions to contact stands during disclosure year by party primarily responsible			
26	Airports	6	125	29
27	Airlines/Other	—	—	—
28	Undetermined reasons	5	52	5
29	Total	11	177	34
30	<b>Baggage sortation system on departures</b>			
31	The number and duration of interruptions to baggage sortation system on departures during disclosure year by party primarily responsible			
32	Airports	12	16	48
33	Airlines/Other	14	49	49
34	Undetermined reasons	5	7	54
35	Total	31	74	31
36	<b>Baggage reclaim belts</b>			
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	<b>On-time departure delay</b>			
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	5	2	22
45	Airlines/Other	—	—	—
46	Undetermined reasons	—	—	—
47	Total	5	2	22

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Regulated Airport  
For Year Ended

**Wellington International Airport Limited**  
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## SCHEDULE 11: REPORT ON RELIABILITY MEASURES (cont)

ref Version 3.0

### Fixed electrical ground power availability (if applicable)

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

0.00%

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

### Commentary concerning reliability measures

#### Process for Determining Responsibility for Interruptions

WIAL maintains a database that records each breakdown in respect of the facilities recorded in Schedule 11. Each breakdown that occurs is then evaluated by WIAL's Manager Airport Performance 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.

The evaluation includes assessment of the party responsible for the interruption and may include discussions with airlines if airlines contributed to the cause of the interruption.

The number and duration of on time departure delays reduced from 2016 to 5 flights and a total duration of 2 hours and 22 minutes (2016: 22 flights and a duration of 9 hours and 9 minutes). WIAL remains committed to maintaining appropriate service levels and well maintained facilities.

No occurrences involving the pavement assets nor FEGP were recorded during the reporting period. A number of occurrences concerning Aerobridges and the Baggage Sortation System (departures) were recorded. Five occurrences involving aerobridges were directly related to the major earthquake of Nov 2016 and were primarily related to aerobridges that were out of service due to minor earthquake damage. No OTP delay was recorded as all flights for the day were consequently rescheduled by the airline before the operating day commenced. Fourteen occurrences for the baggage sortation system were attributed to airline /other as it was directly attributed to the Aviation Security Service EDX X Ray Machine, which runs as part of the BHS but is operated and maintained by AVSEC.

#### Process to Consider Requirement for Operational Improvements

The interruptions are discussed with participants at the TEAM WLG meetings (an acronym for Together Everyone Achieves More).

TEAM WLG continues to operate well and focuses on service reliability, service performance and a review of ASQ results, as well as airport collaborative decision making as a model for improving passenger and aircraft processing. During the year there were 3 meetings held. The meetings assist in confirming responsibility for interruptions and to consider whether process improvements are required.

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

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Regulated Airport  
For Year Ended**Wellington International Airport Limited**  
**31 March 2017****SCHEDULE 12: REPORT ON CAPACITY UTILISATION INDICATORS FOR AIRCRAFT AND FREIGHT ACTIVITIES AND AIRFIELD ACTIVITIES**

ref Version 3.0

**Runway**

		Runway #1	Runway #2	Runway #3
Description of runway(s)	Designations	16-34		
	Length of pavement (m)	2,051		
	Width (m)	45		
	Shoulder width (m)	7.5		
	Runway code	4E		
	ILS category	Category I		
Declared runway capacity for specified meteorological condition	VMC (movements per hour)	38-36		
	IMC (movements per hour)	29-26		

**Taxiway**

		Taxiway #1	Taxiway #2	Taxiway #3
Description of main taxiway(s)	Name	Main		
	Length (m)	2,051		
	Width (m)	18		
	Status	Full length		
	Number of links	11		

**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	8	–	–
	Domestic jet	11	–	–
	Domestic turboprop	–	18	2
Total parking stands		19	18	2

**Busy periods for runway movements**

	Date
Runway busy day	17 March 2017
Runway busy hour start time (day/month/year hour)	9 Dec 2016 3 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	10	–	–	10
	Domestic jet	85	–	–	85
	Domestic turboprop	–	184	–	184
	Total	95	184	–	279
Other (including General Aviation)					40
Total aircraft movements during the runway busy day					319

Number of aircraft runway movements during the runway busy hour

30

**Commentary concerning capacity utilisation indicators for aircraft and freight activities and airfield activities****Busy Day and Hour Information**

WIAL commissioned Airbiz Limited (Airbiz) to provide advice on the technical information required to be disclosed by WIAL. Airbiz were also requested to determine the required busy hour and busy day statistics to be included in this Schedule.

**Runway**

WIAL's runway capacity varies depending on the direction of use of the runway (namely runway 16 or 34) and weather conditions. WIAL's busy hour demand was assessed at 30 movements per hour. The 30 movements is below available capacity in clear weather conditions (VMC conditions) but exceeds available capacity when weather conditions are poor (IMC conditions).

WIAL expects that the demand on runway availability will increase in the future as aircraft movements grow to accommodate the forecast increase in passengers. WIAL anticipates that aircraft movements should not increase at the same growth rate as passengers because WIAL expects airlines to increase the average size of aircraft in their fleet.

WIAL is working with the airlines, Airways Corporation (Airways) and other stakeholders to implement measures to manage the prospective congestion to ensure appropriate changes to facilities that could increase runway movement capacity are identified and implemented. In 2017, WIAL continued to work with stakeholders to deliver works which may increase runway capacity. This includes the Airport Collaborative Decision Making (ACDM) stakeholder engagement as outlined in Schedule 15.

**Aircraft Parking Stands**

WIAL has 11 aircraft stands available with aerobridge services. The 8 WIAL parking stands adjacent to the North Pier are swing gates and therefore available for international as well as domestic use. As the parking stand capacity data reported is for a busy day period we have included the North Pier aircraft gates as being available for both international and domestic aircraft. The number of stands reported is based on a configuration for code C aircraft. When Stand 23 is in use for Code E aircraft (such as B777) then this negates the use of Stands 22 and 24, reducing the number of available Code C contact stands by 2.

On the runway busy day there were no aerobridges out of service.

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31 March 2017

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

ref Version 3.0

	International terminal	Domestic terminal	Common area <sup>†</sup>
<b>6 Outbound (Departing) Passengers</b>			
<b>7 Landside circulation (outbound)</b>			
8 Passenger busy hour for landside circulation (outbound)—start time (day/month/year hour)	N/A	N/A	18 Apr 2016 6 AM
9 Floor space (m <sup>2</sup> )	N/A	N/A	2015.5
10 Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1247
11 Utilisation (busy hour passengers per 100m <sup>2</sup> )	N/A	N/A	62
<b>13 Check-in</b>			
14 Passenger busy hour for check-in—start time (day/month/year hour)	N/A	N/A	18 Apr 2016 6 AM
15 Floor space (m <sup>2</sup> )	N/A	N/A	1197
16 Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	998
17 Utilisation (busy hour passengers per 100m <sup>2</sup> )	N/A	N/A	83
<b>18 Baggage (outbound)</b>			
19 Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	N/A	N/A	18 Apr 2016 6 AM
20 Make-up area floor space (m <sup>2</sup> )	N/A	N/A	2,892
21 Notional capacity during the passenger busy hour (bags/hour)*	N/A	N/A	2,430
22 Bags processed during the passenger busy hour (bags/hour)*	N/A	N/A	925
23 Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,247
24 Utilisation (% of processing capacity)	N/A	N/A	38%
25 <i>* Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.</i>			
<b>26 Passport control (outbound)</b>			
27 Passenger busy hour for passport control (outbound)—start time (day/month/year hour)	13 Apr 2016 6 AM		
28 Floor space (m <sup>2</sup> )	210		
29 Number of emigration booths and kiosks	6		
30 Notional capacity during the passenger busy hour (passengers/hour) *	709		
31 Passenger throughput during the passenger busy hour (passengers/hour)	579		
32 Utilisation (busy hour passengers per 100m <sup>2</sup> )	276		
33 Utilisation (% of processing capacity)	82%		
34 <i>* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.</i>			
<b>36 Security screening</b>			
37 Passenger busy hour for security screening—start time (day/month/year hour)	13 Apr 2016 6 AM	14 Dec 2016 8 AM	
38 Facilities for passengers excluding international transit & transfer			
39 Floor space (m <sup>2</sup> )	263	584	
40 Number of screening points	2	5	
41 Notional capacity during the passenger busy hour (passengers/hour) *	540	1,350	
42 Passenger throughput during the passenger busy hour (passengers/hour)	579	875	
43 Utilisation (busy hour passengers per 100m <sup>2</sup> )	220	150	
44 Utilisation (% of processing capacity)	107%	65%	
45 Facilities for international transit & transfer passengers			
46 Floor space (m <sup>2</sup> )	N/A		
47 Number of screening points	N/A		
48 Notional capacity during the passenger busy hour (passengers/hour)*	N/A		
49 Estimated passenger throughput during the passenger busy hour (passengers/hour)	N/A		
50 Utilisation (busy hour passengers per 100m <sup>2</sup> )	N/A		
51 Utilisation (% of processing capacity)	N/A		
52 <i>* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.</i>			

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

ref Version 3.0

	International terminal	Domestic terminal	Common area <sup>†</sup>
<b>Airside circulation (outbound)</b>			
Passenger busy hour for airside circulation (outbound)—start time (day/month/year hour)	13 Apr 2016 6 AM	14 Dec 2016 8 AM	
Floor space (m <sup>2</sup> )	762	1,844	
Passenger throughput during the passenger busy hour (passengers/hour)	579	1,209	
Utilisation (busy hour passengers per 100m <sup>2</sup> )	76	66	
<b>Departure lounges</b>			
Passenger busy hour for departure lounges—start time (day/month/year hour)	13 Apr 2016 6 AM	14 Dec 2016 8 AM	
Floor space (m <sup>2</sup> )	1,184	2,595	
Number of seats	657	576	
Passenger throughput during the passenger busy hour (passengers/hour)	579	1,209	
Utilisation (busy hour passengers per 100m <sup>2</sup> )	49	47	
Utilisation (passengers per seat)	0.9	2.1	
<b>Inbound (Arriving) Passengers</b>			
<b>Airside circulation (inbound)</b>			
Passenger busy hour for airside circulation (inbound)—start time (day/month/year hour)	25 Sep 2016 11 PM	18 Mar 2017 11 PM	N/A
Floor space (m <sup>2</sup> )	1,669	1,787	N/A
Passenger throughput during the passenger busy hour (passengers/hour)	492	1,056	N/A
Utilisation (busy hour passengers per 100m <sup>2</sup> )	29	59	N/A
<b>Passport control (inbound)</b>			
Passenger busy hour for passport control (inbound)—start time (day/month/year hour)	25 Sep 2016 11 PM		
Floor space (m <sup>2</sup> )	329		
Number of immigration booths and kiosks	8		
Notional capacity during the passenger busy hour (passengers/hour) *	864		
Passenger throughput during the passenger busy hour (passengers/hour)	492		
Utilisation (busy hour passengers per 100m <sup>2</sup> )	150		
Utilisation (% of processing capacity)	57%		
* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
<b>Landside circulation (inbound)</b>			
Passenger busy hour for landside circulation (inbound)—start time (day/month/year hour)	N/A	N/A	16 Oct 2016 3 PM
Floor space (m <sup>2</sup> )	N/A	N/A	2,016
Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,056
Utilisation (busy hour passengers per 100m <sup>2</sup> )	N/A	N/A	52
<b>Baggage reclaim</b>			
Passenger busy hour for baggage reclaim—start time (day/month/year hour)	25 Sep 2016 11 PM	18 Mar 2017 11 PM	
Floor space (m <sup>2</sup> )	1,003	1,617	
Number of reclaim units	2	3	
Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	3,600	3,600	
Bags processed during the passenger busy hour (bags/hour)*	365	626	
Passenger throughput during the passenger busy hour (passengers/hour)	492	845	
Utilisation (% of processing capacity)	10%	17%	
Utilisation (busy hour passengers per 100m <sup>2</sup> )	49	52	
* Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.			
<b>Bio-security screening and inspection and customs secondary inspection</b>			
Passenger busy hour for bio-security screening and inspection and customs secondary inspection—start time (day/month/year hour)	25 Sep 2016 11 PM		
Floor space (m <sup>2</sup> )	734		
Notional MAF secondary screening capacity during the passenger busy hour (passengers/hour)*	760		
Passenger throughput during the passenger busy hour (passengers/hour)	492		
Utilisation (% of processing capacity)	65%		
Utilisation (busy hour passengers per 100m <sup>2</sup> )	67		
* Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.			
<b>Arrivals concourse</b>			
Passenger busy hour for arrivals concourse—start time (day/month/year hour)	N/A	N/A	16 Oct 2016 3 PM
Floor space (m <sup>2</sup> )	N/A	N/A	788
Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,169
Utilisation (busy hour passengers per 100m <sup>2</sup> )	N/A	N/A	148

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

ref Version 3.0

	International terminal	Domestic terminal	Common area <sup>1</sup>
<b>Total terminal functional areas providing facilities and service directly for passengers</b>			
Floor space (m <sup>2</sup> )	N/A	N/A	23,446
Number of working baggage trolleys available for passenger use at end of disclosure year	N/A	N/A	900

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

WIAL operates a common use terminal facility with areas directly provided to arriving or departing passengers where required by Customs border processing or Avsec security requirements. The utilisation data above reflects the use of the terminal by common use, international or domestic passengers as appropriate.

Passenger Data

WIAL commissioned Airbiz to provide passenger busy hour and day information required to be reported in this Schedule. Airbiz were provided with the aircraft movement and passenger data that WIAL received from Airways and its airlines for the year. Major airlines provided detailed information to WIAL on passenger numbers carried for each flight allowing an assessment of arriving and departing passengers on an hourly basis. Airbiz applied the adjustments per the Determination as required (i.e. the allowance for domestic transfer and transit passengers in the check-in passenger throughput).

Baggage Reclaim

WIAL does not have the technical capacity at present to count bags processed by the baggage reclaim units. WIAL has used benchmarked information to calculate the assumptions for the number of bags carried per passenger:

- For international passengers - an average of 0.74 bags for each international passenger; and
- For domestic passengers - an average of 0.74 bags.

- These figures cover all passengers, including those who only travel with carry-on baggage.

WIAL has applied these assumptions in estimating the bags processed during the passenger busy hour.

During FY17 there has been a change in the way baggage reclaim carousels are being used. Two baggage reclaim carousels continue to be used as standard for international arrivals with carousels being allocated to alternate flights to improve passenger distribution within the arrivals hall. This is facilitated by the use of moveable walls that temporarily extend the international arrivals hall. The same principal has been introduced to domestic arrivals as well and now three baggage reclaim carousels are used as standard for domestic arrivals instead of two as disclosed last year. This is to improve passenger distribution within the arrivals hall and facilitate an increase in bag numbers.

Determination of Capacities

WIAL capacities were determined as follows:

- Airbiz were engaged to provide advice on all floor areas required to be reported in this Schedule. Airbiz developed the required measures from its review of building plans provided by WIAL.
  - Baggage (outbound) - capacities were advised by the system manufacturer, Glidepath, for the two baggage outbound units operated by WIAL and Avsec for the X-ray machine process capability.
  - Passport control (outbound) - advised by Airbiz following the receipt of Customs advice, namely 30 seconds per passenger processing time plus 5 seconds per passenger allowance to move from queue to counter (for conventional counters) and 22 seconds per passenger processing time plus 5 seconds per passenger allowance to move from queue to gate (for SmartGates).
  - Security screening - advised by Airbiz following receipt of Aviation Security advice. Determined from number of screening stations multiplied by passengers per hour as advised by Avsec. International - 2 stations at 270 passengers/hour and domestic - 5 stations at 270 passengers/hour.
  - Departure lounges number of seats - determined by a physical count by WIAL operations staff. The numbers listed include general, food court and tenancy seats.
  - Passport control (inbound) - advised by Airbiz following receipt of Customs advice, namely 50 seconds per passenger processing time plus 5 seconds per passenger allowance to move from queue to counter (for conventional counters) and 22 seconds per passenger processing time plus 5 seconds per passenger allowance to move from queue to gate (for SmartGates).
  - Baggage reclaim - the baggage system manufacturers, Glidepath, advised that the technical capacity of each baggage reclaim belt is 1,800 bags per hour derived from one bag per metre loaded onto the belt and a belt speed of 0.5m/s. The practical capacity is likely to be lower with baggage handlers unlikely to be able to load bags to this capacity and recirculating bags reducing available capacity for new bags to be loaded.
  - Biosecurity screening and inspection and customs secondary inspection - advised by Airbiz, based on practical capacity of 190 passenger per hour per screening station and the assumption that 50% of passengers are assessed.
- Comment on Baggage (outbound) Utilisation  
The utilisation statistic of 25% above provides the proportion of technical capacity that is utilised by bags loaded on the outbound baggage belts.

Terminal South Extension

The Terminal South Extension project has contributed to movements across a number of domestic utilisation indicators presented in Schedule 13. The new larger centralised security screening area has contributed to a 300% reduction in the number of busy hour passengers per 100m<sup>2</sup> in the domestic security screening space. The overall increase in the terminal floor area has created larger circulation spaces, contributing to reductions in utilisation (measured as the number of busy hour passengers per m<sup>2</sup>) in the domestic airside and landside circulation spaces and the domestic departure lounges. A detailed summary of the changes to the terminal floor area is below.

Terminal Floor Areas

Significant changes to floor spaces from the previous disclosure year are:

Common Area (Outbound):

- Landside Circulation (Outbound) - decrease of 260 sqm due to change in floor plan.
- Check-in - decrease of 53 sqm due to change from check-in area to commercial area.
- Baggage (Outbound) - increase of 101 sqm due to addition of over-sized baggage handling area.

Domestic Terminal (Outbound):

- Security Screening - increase of 403 sqm due to new South West Pier Security Screening area to replace individual Security Screening areas on each South West Pier gate.
- Airside Circulation (Outbound) - increase of 1,253 sqm due to floor plan changes in South West Pier and South Pier due to Terminal South Extension (TSE) and introduction of new common use Security Screening area which has changed the flow of passenger circulation in those areas.
- Departure Lounges (Outbound) - increase of 1,142 sqm due to floor plan changes in South West Pier and South Pier creating more space for Departure Lounges.

International Terminal (Outbound):

- No changes from prior year

Common Area (Inbound):

- Landside Circulation (Inbound) - decrease of 260 sqm due to change in floor plan.
- Arrivals Concourse (Inbound) - decrease of 174 sqm due to changes in floor plan to increase Customs and MAF area.

Domestic Terminal (Inbound):

- Airside Circulation (Inbound) - increase of 1,196 sqm due to floor plan changes in South West Pier and South Pier due to Terminal South Extension (TSE) and introduction of new common use Security Screening area which has changed the flow of passenger circulation in those areas.
- Baggage Reclaim - increase of 536 sqm due to inclusion of International Baggage Reclaim Unit as Domestic Baggage Reclaim Unit to better represent the swing capability of Baggage Reclaim Units. During FY17, the swinging capability of these units has been utilised on daily basis, so including this floor space and capacity better represents the actual use of the space.

International Terminal (Inbound):

- Airside Circulation (Inbound) - increase of 268 sqm due to International Arrivals Enhancement (IAE), which increased the floor space in the International Arrivals area.
- Baggage Reclaim - increase of 467 sqm due to inclusion of one Domestic Baggage Reclaim Unit as International Baggage Reclaim Unit to better represent the swing capability of Baggage Reclaim Units. During 2017, the swing capability of these units has been utilised on daily basis, so adding this floor space better represents the actual use of the space.
- Bio-security Screening and Inspection and Customs Secondary Inspection - increase of 184 sqm due to change in floor plan to reduce the Arrivals Concourse and create more space for Bio-security Screening and Inspection and Customs Secondary Inspection.

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

<sup>1</sup> For functional components which are normally shared by passengers on international and domestic aircraft.

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## SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

ref Version 3.0

## Survey organisation

Survey organisation used

If "Other", please specify

ACI

DKMA

## Passenger satisfaction survey score

(average quarterly rating by service item)

## Domestic terminal

	Quarter for year ended	1 30 Jun 16	2 30 Sep 16	3 31 Dec 16	4 31 Mar 17	Annual average
Ease of finding your way through an airport		4.0	4.0	4.2	4.3	4.1
Ease of making connections with other flights		4.0	3.9	4.0	4.4	4.1
Flight information display screens		4.1	4.0	4.3	4.2	4.1
Walking distance within and/or between terminals		4.0	4.2	4.3	4.3	4.2
Availability of baggage carts/trolleys		3.8	4.0	4.1	3.9	4.0
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.3	4.3	4.4	4.4	4.3
Availability of washrooms/toilets		4.0	4.0	4.2	4.2	4.1
Cleanliness of washrooms/toilets		4.0	4.1	4.2	4.1	4.1
Comfort of waiting/gate areas		3.6	3.7	3.9	3.9	3.8
Cleanliness of airport terminal		4.1	4.2	4.4	4.4	4.3
Ambience of the airport		3.8	4.0	4.1	4.2	4.0
Security inspection waiting time		4.2	4.4	4.4	4.3	4.3
Check-in waiting time		4.4	4.4	4.5	4.4	4.5
Feeling of being safe and secure		4.3	4.4	4.5	4.4	4.4
<b>Average survey score</b>		<b>4.0</b>	<b>4.1</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>

## International terminal

	Quarter for year ended	1 30 Jun 16	2 30 Sep 16	3 31 Dec 16	4 31 Mar 17	Annual average
Ease of finding your way through an airport		4.2	4.1	4.2	4.1	4.1
Ease of making connections with other flights		N/A	N/A	N/A	N/A	N/A
Flight information display screens		4.3	4.2	4.3	4.1	4.2
Walking distance within and/or between terminals		4.5	4.4	4.5	4.2	4.4
Availability of baggage carts/trolleys		3.6	4.0	4.0	4.2	4.0
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.2	4.5	4.6	4.3	4.4
Availability of washrooms/toilets		4.2	4.2	4.1	4.0	4.1
Cleanliness of washrooms/toilets		4.1	4.1	4.1	4.0	4.1
Comfort of waiting/gate areas		3.8	3.9	3.9	3.8	3.9
Cleanliness of airport terminal		4.1	4.4	4.4	4.3	4.3
Ambience of the airport		4.0	4.0	4.3	4.1	4.1
Passport and visa inspection waiting time		4.5	4.6	4.7	4.5	4.6
Security inspection waiting time		4.4	4.5	4.6	4.4	4.5
Check-in waiting time		4.3	4.4	4.4	4.1	4.3
Feeling of being safe and secure		4.5	4.5	4.7	4.4	4.5
<b>Average survey score</b>		<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>

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

## Commentary concerning report on passenger satisfaction indicators

WIAL operates a common use terminal facility with most of its facilities used by both domestic and international passengers. The survey outcomes of these facilities therefore reflect the survey views of the category of passengers rather than reflecting the service outcomes for separate terminals. The survey measures are reported on a scale with a maximum score of 5. WIAL continues to rate highly in its ASQ scores, with an average domestic score of 4.2 and an average international score of 4.2 (based on those survey categories identified in Schedule 14) for last year.

Domestic

WIAL completed the Terminal South Extension (TSE) project in November 2016. This provides substantial improvements to the South and the South West Pier, including expanded departure gate lounges, additional toilet facilities and centralised security screening. This has further improved the passenger experience, evident from the increase in Domestic ASQ score from 4.0 to 4.3 across the year. Refer to Schedule 15 for further detail.

International

International passengers were asked to provide a score for "ease of making connections with other flights". WIAL notes that there is generally insufficient passengers that connect from other flights to enable a statistically representative average score to be calculated by the ASQ programme managers. This occurrence is because passengers largely travel direct to/from Wellington airport. The ASQ programme managers did not provide an average score for any of the four quarters due to insufficient response. In 2013, WIAL received an on-going exemption from the Commission to not publish this score where it is not able to be provided by the ASQ programme managers.

Accuracy of Passenger Data to Prepare Utilisation Indicators

Refer to the comments in Schedule 13.

Location of Survey Fieldwork Documentation

The survey fieldwork documentation is available on WIAL's website [www.wellingtonairport.co.nz](http://www.wellingtonairport.co.nz).

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

Regulated Airport  
For Year EndedWellington International Airport Limited  
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ref Version 3.0

**Disclosure of the operational improvement process**

WIAL continues to focus on working constructively and comprehensively with airport stakeholders to improve service quality for both passengers and airlines.

The primary multi-agency forum to discuss service quality is the TEAM WLG meetings, held three times per year. Stakeholders including Wellington based operational staff from WIAL, airlines, border agencies and police meet to discuss the ASQ results, on-time performance results, service disrupts and other matters relevant to constant learning and improvement of the passenger experience. The meetings often include presentations of potential improvement projects and topical aviation issues from across the stakeholder group. The relatively small size of Wellington Airport is very conducive to cross-agency cooperation, and the forum continues to be an effective means to facilitate ongoing improvement.

WIAL is committed to maintaining and improving service quality for its customers and enhancing the airport's facilities in response to customer feedback and changes in demand.

**Capacity Enhancement, Asset Reliability and Service Quality**Terminal South Extension

An extension to the Domestic Terminal was officially opened by Prime Minister John Key in November 2016. The extension has widened the width of both southern piers, added centralised security screening, refurbished existing gate lounges, provided extra gate lounge space, a new regional Koru lounge, a doubling of the number of toilets, an undercover valet facility and more drop-off/pick up zones. The southern apron was also extended and reconfigured to use the area more efficiently. The terminal extension works facilitate passenger growth, providing capacity for up to 1,500 passengers per hour during the peak periods, and enhancing their experience.

International Arrivals Enhancement

The International Arrivals Enhancement (IAE) project was completed in September 2016 to address congestion, improve levels of service and cater for growth in international passenger numbers. The IAE project incorporated an increase in space for primary processing, allowing for the addition of five SmartGate+ lanes. The secondary processing area was also reconfigured to create extra space for improved queue management and increased passenger throughput. In order to facilitate this additional space the existing toilets, Emergency Operations Centre and Customs Control Room were relocated to new facilities within the airport.

Multi Level Transport Hub

The Multi Level Transport Hub project commenced in February 2016 and is scheduled for completion in mid-2018. The \$70 million project will create an extra 1,000 covered car parks with electric vehicle charging and way-finding technology. It will also provide improved facilities for passenger drop-off/pick-up and ground transport operations including taxis, buses and bicycles.

Airfield Optimisation

To improve airfield efficiency two additional taxi lanes have been created leading into the south east apron and Taxiway Bravo has been extended to full length. This provides the apron controllers more options to move aircraft to/from the south and south west pier. The additional taxi lanes also provide additional redundancy during disruptions and unforeseen circumstances.

The starter extension of Runway 34 was overlaid to enhance the pavement performance and improve the drainage in that area. This project was delivered outside of curfew hours, ensuring no disruption to operations. Around 50,000m<sup>2</sup> of airfield pavement has been treated with Polymer Modified Emulsions (PME). This product protects the pavement from oxidation and UV damage and will significantly extend the service life of the pavement and assist in optimising airfield maintenance and capital expenditure.

Aircraft Parking

In collaboration with WIAL's airline partners, additional aircraft parking has been added to meet airline demand. The south pier now has 10 turbo prop stands (from six) and the south west pier has the capacity for five jet stands (from four). Two of these jet stands are presently being used to accommodate three additional turbo prop stands because of changes in airline operations. These can be converted back to jet stands in a matter of weeks. WIAL is also progressing plans for a further expansion of the southern apron to provide additional turbo prop aircraft parking capacity to facilitate a change in mix between jet and turbo prop operations.

In order to provide additional flexibility for baggage handlers a ring road has been created around the south pier. This allows the baggage handlers to choose the safest and quickest way to load/unload the aircraft. Also additional parking for Ground Service Equipment has been created including common use charging points for electric vehicles.

*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  
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**SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES**

ref Version 3.0

**Disclosure of the operational improvement process**

**Taxiway Bravo 5**

The stub taxiway Bravo 5 has been widened to improve access for Code E aircraft operations to/from Gate 27. Previously aircraft had to be escorted to/from the gate, potentially causing congestion on the manoeuvring area.

**Baggage System**

From December 2016 the legislation regarding baggage screening was amended to require all domestic hold baggage for jet aircraft to be screened at departure. The infrastructure required to support this change was successfully built and implemented ahead of the deadline. The implementation focussed on two areas; a new transfer station to screen bags from regional flights to jets and a new screening station at check-in for all oversize baggage. Aside from the challenge of the short lead time, the implementation also involved redesigning the baggage processing procedures, training of WIAL and stakeholder staff and ensuring the contingency procedures were tested and documented.

**Accessibility Assessment**

The Airport commissioned a 'Be.Welcome' accessibility assessment during 2017 with the aim of ensuring the airport's facilities are accessible to those living with a disability and the elderly. This assessment was executed by 'Be.Accessible', a social change initiative to promote accessibility in public spaces. Wellington Airport received the Silver 'Be. Welcome' rating. Improvements to the wayfinding signage in the terminal, accessible facilities like unisex toilets and improvements to the WIAL website were made to achieve the Silver rating.

**Passenger Experience**

In addition to the major items already described above, the following initiatives have been implemented to further enhance the passenger experience:

- Three sets of new toilet blocks have been added. In addition the two existing toilet blocks have been refurbished to a similar specification as the new facilities. All facilities also have full disabled access and some provide showers.
- Major upgrade of the parents room to assist families travelling with young children.
- A new Lost & Found system has been put in place making it easier for passengers to retrieve their lost property.
- A new information counter has been opened on the departures level, making a total of two manned information counters during busy hours.
- All the old terminal seats have been replaced by new modern furniture.
- The parents' room has been upgraded including a new children's area.
- A total of 900 trolleys have replaced the 450 old baggage trolleys. The new trolleys are a significant upgrade from the previous ones. They are easier to manoeuvre for passengers and they have a braking system when not being used. The trolleys are therefore safer to use around the terminal/ramps and are stable on a windy Wellington day.
- The rental car area has been enhanced with improved access between the terminal and rental car park.
- Improvements have been made to the entrance of the departures area to allow for better queueing and create more space for filling in departure cards and farewells.

**Innovation & Efficiency**

**Common Use Terminal Equipment**

Where appropriate, WIAL looks to provide "common use" terminal equipment that is owned by the airport and operated by the airline. Common use equipment has a positive effect on the flexibility and usage of space in the terminal. WIAL has previously installed common use check-in technology to facilitate multiple airlines at the north end of the check in hall. Air New Zealand's dedicated boarding pods at the top of the south pier will also soon be replaced by common use boarding equipment. These gates will allow for flexible use of the space at the top of the south pier and allow passengers to remain in the comfort of the main terminal building right up until boarding their flight.

*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  
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**Disclosure of the operational improvement process**Smartgate+

A total of eight Smartgate+ have been installed at Wellington Airport, five in international arrivals and three at international departures. The eGate technology provides a fast and easy way for travellers to complete the necessary checks at the border – only 25 seconds – and doubles Customs' passenger processing capacity. The new generation of eGates use a one-step integrated process and biometric technology to complete Customs' processing requirements. This enables legitimate passengers to pass through easily and Customs officers to focus on high risk areas. There is also no longer a need for a kiosk, which has created more space for passengers in the arrivals area in particular.

Swing Capability of Baggage Belt and Departure Gates

The main terminal building was constructed to allow certain gates and baggage reclaim belts to alternate between domestic and international purposes, depending on the time of day and relative passenger flow. WIAL has utilised this swing functionality on an ad-hoc basis in previous years, but in 2017 WIAL worked extensively with stakeholders and secured agreement to utilise the swing capability of the North Pier and swing baggage belts on a daily basis. This approach ensures efficient utilisation of the North Pier outside of the international departure and arrival windows.

Airport Collaborative Decision Making System (ACDM)

The ACDM module within the Gentrack Airport 20/20 application has now been successfully implemented at WIAL. By doing so WIAL is the first in Australasia to have both jet and turbo prop services on an ACDM platform. ACDM is about aviation partners working together more efficiently and transparently resulting in operational efficiencies and enhanced traffic capacity. ACDM provides the following benefits:

- Reduction in aircraft holding patterns, resulting in lower fuel burn (reduced costs and improved environmental footprint)
- Reduced apron congestion and increased predictability of aircraft movements
- Improved on-time performance
- Better slot allocation (more efficient for Air Traffic Control)
- Provides proactive alerts for staff to better manage daily operations
- Contributes to an improved passenger experience and improved service levels
- Cost savings through improved asset utilisation

Licence Plate Recognition

As part of a wider upgrade of the airport, WIAL is utilising state of the art licence plate recognition technology at the entry and exit gates to the car park, automatically raising the car park barrier arm when a vehicle has been at the airport less than 10 minutes. This technology provides a seamless experience for passengers, ground transport providers as well as those dropping off friends and family to the airport.

Website Upgrade

The airport website was upgraded in 2017 to a new fully mobile responsive page, enabling passengers and other stakeholders to find the information they require quickly and easily.

**Airport Safety & Health**Health & Safety

The following initiatives have been implemented to continuously improve the high safety standards at Wellington Airport:

- Creation of improved evacuation procedures, signs and training.
- New passenger walkway barriers installed around the south pier to enhance passenger safety on the apron.
- Safety features installed in air bridges to prevent falling from height.
- Installation of duress alarms on all check-in counters and service desks to assist staff when they feel at risk.
- Touchdown zone markings and lighting have been added to enhance aircraft landings.
- New emergency stations on the south apron with showers and eye wash.
- Online induction programs for various parts of the business: contractor induction, security awareness training, airfield driver licencing.

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

Regulated Airport  
For Year EndedWellington International Airport Limited  
31 March 2017**SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES**

ref Version 3.0

**Disclosure of the operational improvement process**Wildlife

WIAL operates a wildlife management plan. The airport has been consistently categorised as "Low" risk by the Civil Aviation Authority in terms of bird strike risk. An important contribution is the roll out of our Avana programme. This bird deterrent grass is being used now for more than half of the airfield with full implementation over the next 2 years.

Safety Management System

The CAA is moving from a rule based to a risk based approach to safety. This is reflected by a rule change on the 1st February 2016 with respect to the requirements of a Safety Management System (CAR Part 100). WIAL submitted the SMS Implementation Plan to the CAA in June 2016 and the date for full implementation of the proposed plan is October 2017.

Emergency Operations Centre

As part of the International Arrivals Enhancement project (see above), a new Emergency Operations Centre (EOC) has been created to comply with the specifications of a modern emergency response facility. The size of the actual incident management centre has doubled also providing break away rooms adjacent to the main space. This allows the incident controller to have meetings with the crisis team, with support staff just one door away. The EOC is also fitted out with CCTV screens and radios to allow for optimal communications and visual images of the incident being managed.

Business Continuity and Resilience

In November 2016 central New Zealand experienced the magnitude 7.8 Kaikoura Earthquake. The intensity of the shaking was recorded by on site accelerometers at the north and south end of the runway, allowing WIAL to accurately assess the severity of the ground movement and inspect the facilities according to pre-planned checklists. The earthquake coincided with two aircraft having recently landed at Wellington Airport with two more international services approaching. Within 25 minutes WIAL had undertaken a full inspection of critical facilities as well as an assessment of the risk of a tsunami and had reopened. WIAL's emergency response procedures worked well.

To improve emergency response and business continuity a mobile app has been developed to ensure all the relevant procedures are readily accessible. The app can be used to initiate the emergency response and also to run status reports and communicate with relevant key stakeholders

WIAL is a member of the Wellington Lifelines Council as the airport is vital infrastructure for the Wellington region.

The airport buildings are some of the most resilient in Wellington and built to Importance Level Three. The airport is required under the Civil Defence Emergency Management Act to return to a level of safe operations as soon as possible, even if only to assist with a regional recovery effort.

WIAL has been working with the Wellington Regional Emergency Management Office (WREMO) and leading GNS scientists to review the Tsunami threat to the airport and response procedures that are appropriate. The Lifelines group initiatives include:

- Learning from each other and co-ordinating activities
- Facilitating discussion, particularly on hazard understanding and risk reduction measures on the Wellington Region's infrastructure
- Identifying and mitigating the effects of hazards on infrastructure
- Facilitating an increased understanding of the interdependencies between infrastructure organisations
- Developing best practice approaches to risk reduction, readiness, response and recovery for lifelines
- Maintaining awareness of the importance of lifelines, and of reducing their vulnerabilities

**Environment & Sustainability**

WIAL understands that the operation and development of Wellington Airport has environmental impacts.

WIAL takes seriously the responsibility to manage the airport in a sustainable and environmentally responsible manner and with a commitment to the following environmental principles:

- Adopting best practice environmental procedures where practicable
- Compliance with all applicable environmental legislation and regulations
- Continuous environmental improvement and prevention of adverse environmental effects
- Respect for the environment and the efficient use of natural resources in building, construction and operations.
- Understanding environmental issues and risks in the airport's development, operation and maintenance and taking these into account in decision making
- Establishing an environment that stimulates innovation in efficiencies by our staff and other airport users
- Monitoring, reporting and review of environmental objectives, targets and programmes
- Ensuring commitment and support from all TEAM WLG.

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  
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## SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref Version 3.0

### 16a: Aircraft statistics

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

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

[illegible]



ref Version 3.0

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

† 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.

	Domestic	International
150		
151	Air Chathams Limited	Air New Zealand Limited
152	Air Nelson Limited	Fiji Airways Limited
153	Air New Zealand Limited	Jetconnect Limited
154	Eagle Airways Limited	Jetstar Airways Limited
155	Golden Bay Air Limited	Virgin Australia Airlines (NZ) Limited
156	Jetstar Airways Limited	Singapore Airlines Limited
157	Mount Cook Airline Limited	
158	Sounds Air Travel & Tourism Limited	
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Regulated Airport  
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**SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)**

ref Version 3.0

**178 Airline statistics (cont)**

**179 Domestic**

180	
181	
182	
183	
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185	
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187	
188	
189	

**International**


**190 16e: Human Resource Statistics**

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
191				
192	Number of full-time equivalent employees	34.5	50.0	1.8
193	Human resource costs (\$000)			86.4
				7,821

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

195 WIAL received monthly business volume data as follows:

- 196 • Aircraft movement data from Airways;
- 197 • Passenger and flight details from major airlines operating scheduled services; and
- 198 • Passenger numbers on a monthly basis from the small regional commuter airlines.

199 This information was used to calculate the landings, aircraft Maximum Certified Take Off Weights (MCTOW) and passenger statistics detailed above.

**200 Human Resource Statistics**

201 The total full time equivalent employees of the regulated aeronautical business was 86.4 for the year ended 31 March 2017 (2016: 81.4). The increase in actual staff numbers of 5 is primarily due to supporting growth of aeronautical operations and construction works including two additional firefighters required for category 9 compliance, an additional Operations Coordinator, Operations Administrator and Project Manager (managing terminal related construction works). The human resource costs include all employee related costs including wages and salaries, Kiwisaver contributions, ACC levies, recruitment costs and staff development and training.

Regulated Airport  
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## SCHEDULE 17: REPORT ON PRICING STATISTICS

ref Version 3.0

## 17a: Components of Pricing Statistics

Net operating charges from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW

Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more

Net operating charges from airfield activities relating to international flights

Net operating charges from specified passenger terminal activities relating to domestic passengers

Net operating charges from specified passenger terminal activities relating to international passengers

(\$000)

7,752
22,208
11,409
24,695
4,135

## Number of passengers

Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW

Number of domestic passengers on flights of 30 tonnes MCTOW or more

Number of international passengers

1,885,719
3,187,805
888,427

## Total MCTOW (tonnes)

Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW

Total MCTOW of domestic flights of 30 tonnes MCTOW or more

Total MCTOW of international flights

460,987
827,251
272,009

## 17b: Pricing Statistics

Average charge from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW

Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more

Average charge from airfield activities relating to international flights

Average charge  
(\$ per passenger)Average charge  
(\$ per tonne MCTOW)

4.11	16.82
6.97	26.85
12.84	41.94

Average charge  
(\$ per domestic  
passenger)Average charge  
(\$ per international  
passenger)

Average charge from specified passenger terminal activities

4.87	4.65
------	------

Average charge  
(\$ per domestic  
passenger)Average charge  
(\$ per international  
passenger)

Average charge from airfield activities and specified passenger terminal activities

10.77	17.50
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## Commentary on Pricing Statistics

WIAL's charges for the year to 31 March 2017 were set as part of the PSE3 consultation which was completed in June 2014 for prices effective 1 June 2014 to 31 March 2019. The Schedule of Charges for the PSE3 pricing period are available on WIAL's website ([www.wellingtonairport.co.nz](http://www.wellingtonairport.co.nz)).

For the 2017 disclosures the aircraft weight and passenger statistics were derived from the Airways and airline data provided to WIAL as described in Schedule 16.

WIAL's charges are set for each service to incentivise the efficient use of the services. These include:

- Airfield services – a mix of aircraft weight and per passenger charges.
- Specified terminal services – per passenger charges.
- Aircraft parking – time based charges.
- Check in facilities – time and occupied area based charges.
- Noise mitigation and insulation – per passenger and aircraft charges.

Revenue from each of these charges has been grouped into each of the categories required in this Schedule. The average charges per tonne and passenger shown in the Schedule will therefore not correspond directly with WIAL's Schedule of Charges.

WIAL's average charge per international passenger and per tonne of aircraft weight demonstrate that the circumstances of each individual airport influence any direct comparison between airports. In particular:

- WIAL's total average charge per international passenger is below the average charges disclosed by Auckland and Christchurch airports in their 2016 Annual Disclosures.
- WIAL's average charge per tonne is considerably higher than those disclosed by both Auckland and Christchurch airports for jet aircraft. This is inconsistent with the average passenger charge and reflects the difference in the aircraft types using the three airports. In particular, both Auckland and Christchurch airports are serviced by wide body long haul aircraft which do not operate as frequently at WIAL. These aircraft have a significantly higher weight per passenger seat compared to the smaller aircraft operating at WIAL. This increases the relative volume of chargeable MCTOW and results in an average charge per tonne at Auckland and Christchurch airports that is below that at WIAL.

The Schedule of Charges implemented by WIAL from 1 June 2014 has been structured so that over the five year pricing period average revenue for each category of passenger will move closer to each other to reflect common use of the facilities. The change in charging approach will transition progressively over the five year period and will result in charges per international passenger decreasing and charges per domestic passenger increasing.

WIAL has adopted a pricing methodology designed to recover the cost of providing specified aeronautical services through charges which incentivise the efficient use of, and investment in, WIAL's assets in accordance with expert advice. This is consistent with the methodology adopted in PSE2 but with some enhancements to the methodology made to incorporate airline feedback. Feedback was particularly relevant regarding the new charges implemented in PSE2 such as peak/shoulder charges and aircraft parking charges. Examples of price structure changes adopted for PSE3 were:

- A more gradual approach to the introduction of peak/shoulder charges;
- A reduction in the charges for check-in counter usage;
- A more gradual movement toward comparable charges per passenger across different aircraft types; and
- A relaxation of the times during which aircraft parking is payable.

These changes preserve WIAL's objective to encourage efficient use of WIAL's facilities but now also reflect the experience and learnings of PSE2 by incorporating modifications put forward by airlines to simplify the application of the price structure. Further comprehensive comment on WIAL's process, and methodology for PSE3 is provided in the Price Setting Event Disclosure which is available on WIAL's website.



**Specified Airport Services Input Methodologies Determination 2010, as amended**

**Schedule 21 – Certification for Disclosed Information**

We, Tim Brown and Alison Gerry, being directors of Wellington International Airport Limited certify that, having made all reasonable enquiry, to the best of our knowledge, the following attached audited information of Wellington International Airport Limited prepared for the purpose of clauses 2.3(1) and 2.4(1) of the Specified Airport Services Input Methodologies Determination 2010, as amended, in all material respects complies with that determination.

A blue ink signature of Tim Brown, consisting of several fluid, overlapping strokes.

**Tim Brown**

Director  
22 August 2017

A blue ink signature of Alison Gerry, written in a cursive style with the first letters of the first and last names being capitalized.

**Alison Gerry**

Director  
22 August 2017

# Independent Reasonable Assurance Report to the directors of Wellington International Airport Limited

## Conclusion

- We have concluded that, subject to clause 2.6(3) and as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Airport Disclosure Schedules have been kept by the Company and the Airport Disclosure Schedules are based on these records;
- The disclosure information in Schedules 1 to 17 complies, in all material respects, with the Determination;
- The historical financial information in Schedules 1 to 10 pursuant to clause 2.3(1) of the Determination have been prepared, in all material respects, in accordance with the Determination; and
- Subject to clause 2.6(3), the non-financial information in Schedules 11 to 17 pursuant to clause 2.4(1) of the Determination complies, in all material respects, with the Determination.

## Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Schedules 1 to 17 for the regulatory year ended 31 March 2017 ('the Airport Disclosure Schedules'), prepared by Wellington International Airport Limited ('the Company') in accordance with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, as amended in 2016 (the 'Determination').

## Criteria

The Determination is the criteria which the Airport Disclosure schedules were evaluated against. The Airport Disclosure Schedules may not be suitable for other purposes.

## Standards we followed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* (ISAE (NZ) 3000) and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with ISAE (NZ) 3000 we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the Schedules are free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

## How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists.

Misstatements, including omissions, within the Schedules are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Schedules.

## Use of this Assurance Report

Our report should not be regarded as suitable to be used or relied on by any party's other than Wellington International Airport Limited for any purpose or in any context. Any party other than Wellington International Airport Limited who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Wellington International Airport Limited for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to Wellington International Airport Limited on the basis that it will be published along with the Airport Disclosure Schedule on the Company's website and distributed to the Commerce Commission.

Our report provides assurance that the forecast information included in the disclosures required by Schedule 6 of the Determination has been extracted from the forecast information prepared by the Company and used in the Price Setting Event Disclosure for the period 2014 - 2019. However, to avoid doubt, it does not provide any assurance that forecast information was accurate or reasonable or achievable, or that it subsequently proved to be accurate. We have no obligation to update our report for any subsequent changes that affect forecast information.

## Directors' responsibility for Airport Disclosure Schedules

The directors of the company are responsible for the preparation and fair presentation of the Airport Disclosure Schedules in accordance with the Determination. This responsibility includes such internal control as the directors determine is necessary to enable the preparation of the Airport Disclosure Schedules that is free from material misstatement whether due to fraud or error.

## Our responsibility

Our responsibility is to express a conclusion to the directors on the preparation and presentation of the Airport Disclosure Schedules in accordance with the Determination. In accordance with the Determination we owe a duty of care to the Commerce Commission and our engagement has been planned and performed in recognition of this duty of care.

## Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) 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) 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.

Our firm has also provided audit, assurance and taxation compliance services to the company. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as assurance providers of the company for this engagement. The firm has no other relationship with, or interest in, the company.



KPMG  
Wellington

22 August 2017