Wellington International Airport Limited

Price Setting Event Disclosure for the Pricing Period

1 April 2024 to 31 March 2029

Prepared in accordance with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010

7 May 2024

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Provided Under Separate Cover

MVAU Land Valuation Report – 1 April 2023

Commerce Commission Information Disclosure Schedules (Excel file)

Glossary

AAA	Airport Authorities Act 1966
AFS	Airport Fire Service
Air NZ	Air New Zealand Limited and subsidiary companies
ASQ	Airport Service Quality
Avsec	Aviation Security Service
BARNZ	Board of Airline Representatives New Zealand Inc
CAA	Civil Aviation Authority
Boffa Miskell	Boffa Miskell Urban Planners
CPI	Consumer Price Index
FPD	Final Pricing Document
GSE	Ground Service Equipment Storage
IATA	International Air Transport Association
IMs	Input Methodologies
IPP	Initial Pricing Proposal
IRR	Internal Rate of Return
LUMINS	Land Use Management and Insulation for Airport Noise Study
MCTOW	Maximum Certified Take Off Weight
MTB	Main Terminal Building
MVAU	Market Value Alternative Use
MVEU	Market Value Existing Use
NPV	Net Present Value
PSE	Price Setting Event
PSE2	Pricing Setting Period from 1 April 2012 to 31 March 2017
PSE3	Pricing Setting Period from 1 June 2014 to 31 March 2019
PSE4	Pricing Setting Period from 1 April 2019 to 31 March 2024
PSE5	Pricing Setting Period from 1 April 2024 to 31 March 2029
PSE Disclosure	Price Setting Event Disclosure Document
Qantas	Qantas group of companies including Jetstar
RAB	Regulated Asset Base
RPP	Revised Pricing Proposal
SPC	Specific Project Charging
WACC	Weighted Average Cost of Capital
WCC	Wellington City Council
WIAL	Wellington International Airport Limited

1. Executive Summary

1.1. WIAL Context & Consultation

Wellington International Airport Limited (WIAL) is an economic and social engine for central New Zealand, directly supporting the employment of approximately 11,000 people, and enabling the local tourism industry which supports many thousands more. We are anchored in our local community and proud of our outreach, sponsorship and sustainability efforts throughout Wellington city.

The commencement of PSE5 (FY25-29) marks the transition from the pandemic period to full recovery for WIAL. Passenger numbers are forecast to exceed 7 million for the first time, and we have re-commenced significant infrastructure planning. With land use designations now in place over the Airport site and the recently acquired portion of the Miramar Golf Club, we have revised the staging and spatial aspects of the 2040 Masterplan as the guide for future development.

WIAL has worked hard to achieve a positive consultation with airlines and to take feedback on board. The key item of feedback has related to WIAL's target rate of return and the application of the 2023 Input Methodologies. On this matter, we have essentially reached agreement with airlines, and are pleased to have achieved this outcome despite the complexity of the regulatory environment at the current time.

Continuing to support airline customers through the ongoing recovery and growth period is of vital importance to WIAL. We are grateful for the constructive approach of our airline customers during this consultation and look forward to continued collaboration as key projects progress. In particular, airlines have requested ongoing engagement on the seawall renewal, baggage handling system and runway safety enhancements (EMAS). WIAL will not only honour these requests but considers airline input critical to the operational success of these projects, as continue progress toward the 2040 Masterplan.

WIAL remains conscious of airline feedback on affordability and has worked hard to revise capital expenditure downwards and keep costs under control. We remain efficient among airports in terms of per-passenger operating expenditure, which has been kept flat in real terms over time; and have reduced capital expenditure by 36% compared to prior forecasts.

We recommend that this document is read with the following documents for full context:

- Initial Pricing Proposal (IPP) issued in July 2023;
- Revised Pricing Proposal (RPP) of October 2023;
- Final Pricing Document (FPD) of March 2024.

These documents have been released to the Commerce Commission alongside the regulatory disclosures.

1.2. PSE Disclosure

WIAL has prepared this PSE Disclosure in respect of charges for specified airport services for the period 1 April 2024 to 31 March 2029. The PSE Disclosure is required by Clause 2.5 of the Airport Information Disclosure Determination (the Determination) issued by the Commission pursuant to Part 4 of the Commerce Act.

This PSE Disclosure has been prepared to provide the information required by Clause 2.5 of the Determination and is ordered in accordance with the specific clauses in the Determination.

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2. Key issues

2.1. Regulatory background

WIAL appreciates the oversight of the Commerce Commission and its careful review of airport Price Setting Event disclosures. It is our desire to comply with all Commerce Act requirements and to follow the Airport Input Methodologies (IMs) closely, while recognising that airports can depart from the IMs where this is justified. We believe we have struck the right balance in this consultation, landing very close to the 2023 IM position while reserving our ability to appeal the IMs and recognising a slight departure from cost of debt benchmarks as we consider appropriate.

This pricing consultation has been challenging due to the simultaneous review of the IMs. In its Initial Pricing Proposal and Revised Pricing Proposal, WIAL was unable to take account of the 2023 Input Methodologies as the final determination had not yet been issued, and the draft was subject to extensive submissions and ultimately revision. However, the earlier 2016 Input Methodologies did not provide a good foundation for the pricing consultation given the impact of Covid-19 and significant change in economic conditions and the known risk profile of airport investments.

WIAL has found this period complex to navigate. Prior to the pandemic, the Information Disclosure regime was increasingly well-understood and refined over time. However, the 2023 Input Methodologies review has raised new matters for the Commerce Commission, airports and airlines to grapple with. WIAL has been in the unique position of considering these issues while in the midst of pricing consultation, which has allowed us to work through this with airline customers to agree on unique solutions.

The current environment is challenging for other reasons. Prices are being reset off a relatively low passenger base following the pandemic, which has an upward impact on prices, as do ongoing construction cost increases. Airlines are also facing cost increases from many sources, which creates greater tension in airport consultation processes. We acknowledge the constructive engagement from airlines in these circumstances and are pleased to have achieved general agreement on most aspects of pricing for PSE5.

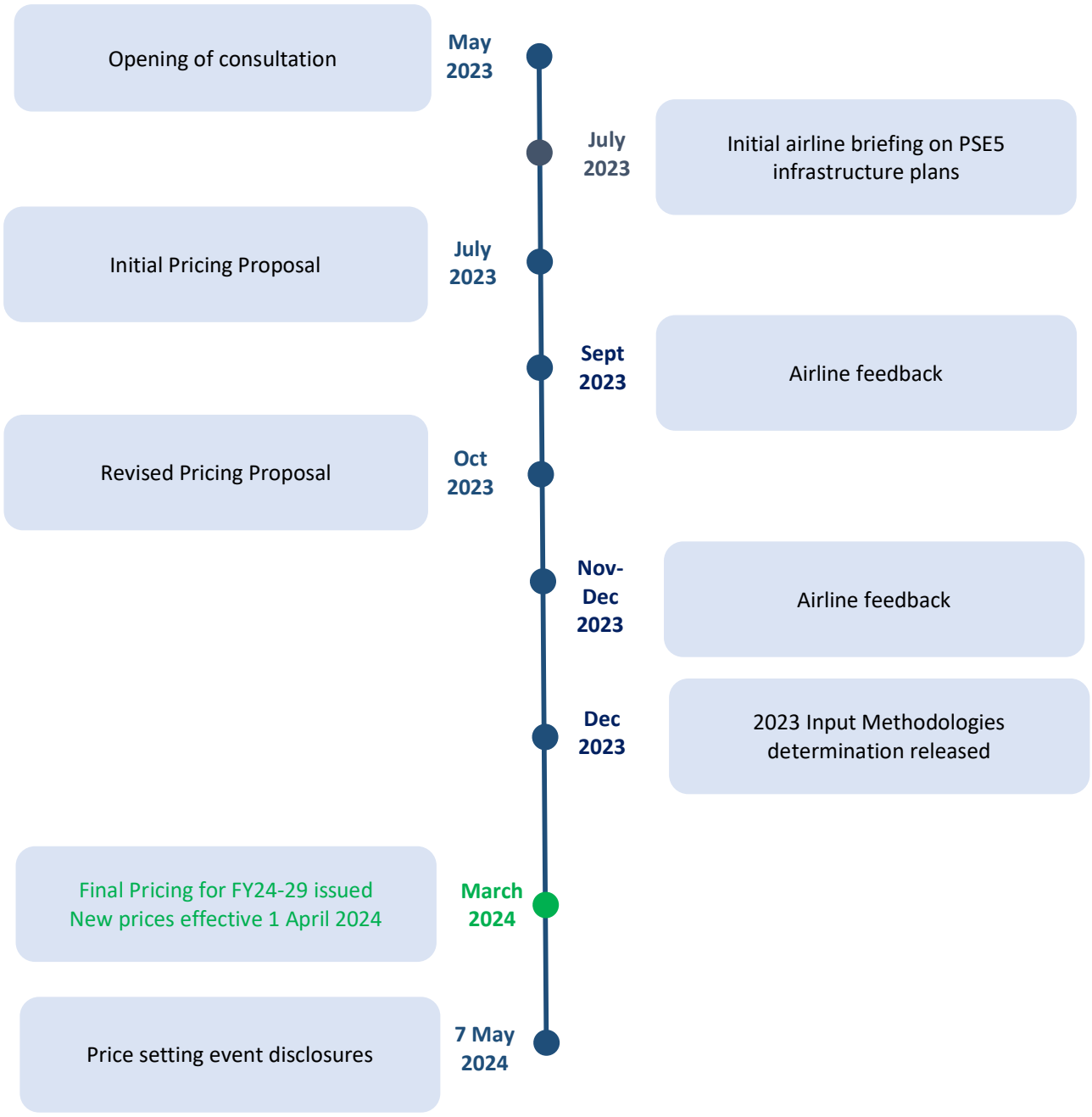
2.2. Consultation history

This pricing consultation has been constructive and orderly from a procedural perspective. WIAL held initial meetings with airlines to provide an update on infrastructure plans, before issuing an Initial Pricing Proposal for airline feedback. This was followed by a Revised Pricing Proposal and another round of feedback prior to issuing a Final Pricing Document. The consultation has not been subject to extensions or deferrals, in contrast to PSE4.

WIAL has benefited in this consultation from the contributions of BARNZ, which was invited to submit on pricing proposals despite not meeting the substantial customer threshold. WIAL considers this has provided additional weight to the views provided by substantial customers Air New Zealand and Qantas Group, and appreciates the agreement of those airlines to the inclusion of BARNZ in this process.

WIAL noted in its PSE4 disclosures that relationships with airlines had strengthened through shared challenges during the pandemic, and WIAL desired to carry on this collaborative path as aviation recovers. At the commencement of PSE5, we remain proud of our strong relationships with airline customers and grateful for collaborative efforts to achieve positive outcomes. Given significant industry challenges at the current time, we are pleased that the tone of consultation has remained positive and we will continue to work with airline customers to support a strong, sustainable aviation industry.

PSE4 Consultation Timeline



2.3. Summary of issues

WIAL considers that almost every aspect of pricing has been determined with the agreement of its substantial airline customers. On the remaining issues, WIAL has either achieved compromise with its customers or the agreement of the majority of customers.

The following matters have been largely uncontroversial throughout consultation:

- Building Block methodology used to determine target revenue for PSE4;
- Asset valuation, including updated MVAU land valuation;
- Revaluations and forecast CPI rate;
- Asset allocations;
- Wash ups and deferrals including historical revaluation shortfall, the Covid deferral, passenger wash up, and capex wash up;
- Passenger forecasts;
- Price structure;
- In-principle capital expenditure projects and overall direction of the 2040 Masterplan.

The following matters have been revised and agreed by WIAL following feedback from airline customers:

- Rate of return based on 2023 IM determination;
- Treatment of IM appeals via a carry-forward mechanism;
- Smoother price path to ease transition from PSE4 to PSE5.

Finally, capital and operating expenditure forecasts were met with approval from Air NZ and BARNZ, while highlighting certain projects for further airline engagement to ensure operational impacts were minimised. Qantas agreed to many capital projects in principle but expressed reservations about the affordability of expenditure. WIAL reviewed these concerns and remained of the view that expenditure had been revised significantly downward from prior forecasts with affordability in mind, and there was little room for further reductions without affecting efficiency or passenger experience.

2.4. Wash ups

This pricing period opens with several wash ups from PSE4, the most significant of which is a wash up relating to passenger numbers falling short of the forecast in PSE4. This adjustment was suggested by airlines during PSE4 consultation as a risk-sharing mechanism to deal with high uncertainty and fluctuations in passenger forecasts during the pandemic. As it happens, this adjustment falls in WIAL's favour given the slower-than-forecast pandemic recovery. The recovery of this wash up is uncontroversial.

In PSE4, WIAL introduced an additional revenue deferral in order to cap the prices paid by airlines during the pandemic. PSE4 revenue beyond the cap was expressly deferred for collection in PSE5, which again has been uncontroversial with airlines.

We acknowledge airlines for their honouring of commitments made during PSE4. Although these wash ups contribute to a steeper price increase for PSE5, this is a direct result of WIAL holding prices flat in real terms through PSE4 and assisting airlines during the most difficult recent years.

WIAL has also voluntarily included a one-off wash up of unspent PSE4 capex, given exceptional circumstances as the slower rate of pandemic recovery meant some projects were deferred for longer than expected.

2.5. Capital expenditure

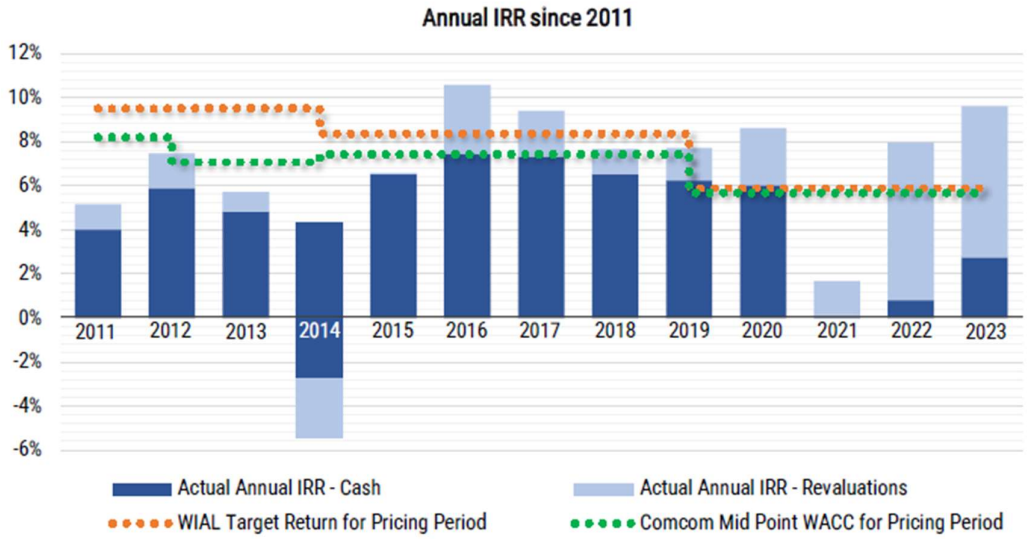
WIAL's capital expenditure plans remain based on the 2040 Masterplan, which has been extensively consulted with airlines through 2019-20 and PSE4. Though plans have been deferred for several years, we are now in a position to commence expansion onto the southern part of Miramar Golf Course and commence projects such as a new Baggage Handling System, which will underpin future terminal development.

Given the ongoing recovery of passenger numbers, the terminal build and apron expansion has been deferred until PSE6, and we have been able to reduce capital expenditure forecasts by approximately 36% compared to prior PSE5 forecasts. We consider this prudent in the current environment and are pleased to have received positive feedback from airlines regarding WIAL's focus on reducing and deferring expenditure where appropriate.

The most significant project for PSE5 is the commencement of renewal of WIAL's southern seawall, which was constructed in the 1950s and requires upgrades. This is a critical resilience project to protect the airfield from sea level rise and extreme weather events. We appreciate airlines' recognition of the criticality of this project to protect both WIAL's business and their own operations in Wellington. In order to improve affordability while maintaining a focus on safety and resilience, we have selected a 10-year program for the seawall renewal so expect this to continue into PSE6.

2.6. WIAL's Historic Regulatory Returns

The chart below shows WIAL's actual IRR from specified airport activities since the start Annual Disclosure regime in 2011 through to 2023 (being the most recently completed year of reporting):



**WIAL notes that following the 2016 IMs review, the Commission concluded that from 2018 onwards it would only publish a midpoint WACC for airports. WIAL's prices for PSE1–PSE3 were set prior to this decision and are based on the airport's 75th percentile WACC at the time (target for PSE1 was 9.50%, PSE2 9.51%, PSE3 8.36% and PSE4 5.88%).*

WIAL's actual post-tax IRR for 2011-2023 was 7.49% (or 5.87% excluding revaluation gains). This equates to a $50.0m NPV cumulative surplus (or $5.3m deficit excluding revaluation gains) compared with the Commission's average midpoint WACC over that period.

WIAL considers that, under the ID Regime, it has clearly not earned excessive profits. The historic variation in annual returns reflects the wide range of risks inherent in an airport business and demonstrates the need to consider cumulative returns over a longer period of time.

2.7. WIAL's Forecast Regulatory Returns

WIAL's PSE5 pricing revenues provide a forecast IRR of 8.61% (our information on how this was determined is provided in our comments on clause 2.5(1)(c)(ii)).

WIAL notes that its overall targeted return on total regulated assets, excluding the closing WACC carry forward explained below, is 8.44% post tax. This is lower than the target return on pricing assets, because the returns from its non-pricing activities are below those on its pricing assets.

WIAL also notes that its PSE5 prices are expressly based on the final 2023 Input

Methodologies outcome, which remains subject to appeals. If airport appeals are successful, this would indicate the 2023 IMs should have placed WIAL in a position with a higher rate of return. Airlines constructively suggested that WIAL include a WACC adjustment mechanism to enable recovery of a higher rate of return based on the outcome of appeals. WIAL has adopted this suggestion via a carry forward mechanism which reserves the "disputed" WACC difference to be collected in PSE6, should airports successfully challenge the IM determination.

2.8. Forecast Performance under ID Regime

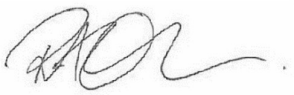
An important consideration for any party evaluating WIAL's performance are the outcomes achieved by WIAL since commencement of the ID Regime. WIAL has calculated the IRR's, in the same manner used by the Commission for this PSE Disclosure, that represent the actual returns achieved in published information disclosures to date, as well as the forecast returns to be achieved in PSE4. The outcomes shown represent the total achievements for all regulated activities as these are the outcomes reported in Annual Disclosures.

3. Directors Certification

SCHEDULE 22 Certification for Forecast Total Revenue Requirements and Pricing Disclosures

Clause 2.7(2)

We, Rachel Drew and Matthew Ross, being directors of Wellington International Airport Limited certify that, having made all reasonable enquiry, to the best of our knowledge, the attached Report on Forecast Total Revenue Requirements and Report on Demand Forecasts and the following attached information of Wellington International Airport Limited prepared for the purposes of clause 2.5 of the Airport Services Information Disclosure Determination 2010 in all material respects complies with that determination.



Rachel Drew
Chair

7 May 2024

Matthew Ross
Director

7 May 2024

4. Price Setting Event Disclosures

Determination Reference	*WIAL Comment*
Executive Summary	***1. Overview*** The commencement of PSE5 (FY25-29) marks the transition from the pandemic period to full recovery for Wellington International Airport (WIAL). Passenger numbers are forecast to exceed 7 million for the first time, and we have re-commenced significant infrastructure planning and reinvigorated the 2040 Masterplan as the guide for future development. We are grateful to airlines for their ongoing support for the Masterplan, and for their helpful feedback on capital expenditure. We have worked hard during this consultation to re-stage developments and defer spending where appropriate, while focusing investment on upgrades which will add customer amenity, asset resilience and value. The major terminal build is now planned for commencement in PSE6, with continued consultation ahead as we work with airline customers to ensure delivery is efficient, cost effective, and takes customers' needs into account. In the meantime, we have significantly reduced capital expenditure from prior PSE5 forecasts. The major item for commencement in PSE5 is the redevelopment of WIAL's seawalls, an essential resilience project that is recognised as necessary by airline customers, to support and protect WIAL's business and their own. We will continue to work closely with airlines on projects including the seawall redevelopment, advancing the first stages of apron development, as well as the EMAS and baggage handling projects, to ensure airline needs are met and operational impacts are minimised. This pricing consultation has included the treatment of wash ups and deferred revenue from the pandemic period, when we worked hard to support airline customers when they needed it most. This resulted in suppressed prices for PSE4, leading to a step change in pricing at the commencement of PSE5. We consider this approach was supportive for airlines during that time and acknowledge the airline support for these wash up mechanisms, both during the pandemic and during this consultation as we worked through how they are to be recovered. At WIAL, we take pride in our relationships with airline customers, our full and transparent consultation processes, and the level of support we have achieved for proposed expenditure. We also take pride in our record of delivery on infrastructure, with capex tracking well to forecast and projects delivered on time. The PSE4 period was rare in that capital expenditure forecasts were underspent due to the pandemic. We proposed a one-off wash up of revenue derived from this unspent capex passed back to airline customers in PSE5, which was welcomed by airlines.

Determination Reference	*WIAL Comment*
	We look forward to continuing to work with airlines throughout PSE5, particularly on the projects highlighted for further engagement; and to involving our customers at the appropriate time to continue discussions on terminal redevelopment in the medium term. ***2. Key themes of airline feedback*** Airlines have provided constructive feedback in two main rounds of consultation, following an Initial Pricing Proposal (IPP) and Revised Pricing Proposal (RPP). Airlines meeting the "substantial customer" threshold in the Airport Authorities Act include Air New Zealand and Qantas Group. WIAL additionally invited the Board of Airline Representatives of New Zealand (BARNZ) to participate in consultation, as we have always found BARNZ's feedback useful and constructive. BARNZ members currently operating at WIAL include Fiji Airways and Air Chathams. Prior to Covid-19, BARNZ also represented Virgin Australia. This feedback has elicited general support for key building blocks including passenger forecasts, asset valuation, revaluations, PSE4 deferrals and wash ups, the majority of capital projects and the overall capital expenditure plan. The majority of airline feedback has supported WIAL's expenditure forecasts. We believe we have submitted capital and operating expenditure forecasts that compare favourably to other airports and reflect our dedication to keeping cost increases sustainable and under control. Excluding unavoidable step changes in a few areas (AFS staffing, PLEXIT, insurance and rates), operating costs remain flat in real terms per passenger over time and compare well to other airports. WIAL's capex forecasts have been subject to extended consultation over several years as part of WIAL's Master Plan. This work has led into the PSE5 forecast, with projects kept within reasonable levels by deferring or re-scoping approximately $210m (36%) of expenditure for the pricing period. We have received some feedback regarding the affordability of proposed price increases. WIAL's pricing proposals have been structured with affordability in mind. We acknowledge the challenging environment including risk-free rate and construction cost increases, the impact of Covid-19, high airfares and recovering capacity. We believe our proposed prices are reasonable in this context. The ability to find further cost savings is small, and disproportionate to the effects on efficiency, resilience and service quality of further deferring works. WIAL has maintained a focus on affordability across multiple pricing periods. This has included growth discounts for

Determination Reference	*WIAL Comment*
	airlines, deferrals and wash ups to assist airlines with cost and risk management during the pandemic-affected period, and keeping most operating costs flat in real terms over time. In PSE5, we have offered alternative price path options for airlines in order to smooth the transition in FY25, and airlines have taken up this offer. We reduced capital expenditure by 36% compared to prior forecasts, with affordability in the current environment front of mind. We have also proposed 100% rebates for sustainable aircraft types as airlines and airports both grapple with the cost of introducing new technology. We are conscious of the impact of price changes on airline customers and comfortable that we have worked through these issues in a constructive manner. In the Final Pricing Document, we also took account of airline feedback requesting a smoother price path in order to ease the transition into PSE5. Whereas the IPP and RPP were structured with a step up in FY25, followed by CPI increases, the Final Pricing Document provided a smoother price path resulting in a less significant step up in Year 1, with a higher end point in FY29. Finally, a major item of feedback from our substantial airline customers and BARNZ has related to WIAL's WACC estimate. This has been a challenging consultation period with the Commerce Commission's Input Methodologies (IMs) review taking place in parallel to pricing consultation. In our final decision, we applied a WACC and asset beta consistent with the final 2023 IM determination and the feedback from airlines during consultation. In addition, we included a mechanism to adjust WACC following the outcome of the IM appeals to the High Court. This is fully consistent with airline feedback and suggestions made during consultation. If the airport IM appeals are successful, the PSE5 WACC will be adjusted and be reflected in the PSE6 period via a carry-forward adjustment that reserves the difference between airline and airport positions in the appeal. We are also pleased to include in this pricing period a discount for next-generation aircraft, operating expenditure for additional sustainability resource, and capital expenditure for decarbonisation to meet WIAL's Net Zero target during the period. We are thankful for airlines' support for these important initiatives.
Introduction	Explanatory comments on several aspects of the schedules are provided below. ***3. Price Setting Event Approach*** Consistent with the IMs, WIAL's target outcomes for PSE5 reflect an internal rate of return (IRR) calculation that comprises:

Determination Reference	*WIAL Comment*

	• an opening investment value at the beginning of the pricing period;
	• a forecast closing investment value; and
	• forecast cash-flows over the duration of the pricing period:
	  ○ Revenue
	  ○ Assets commissioned
	  ○ Assets disposed
	  ○ Operating expenditure
	  ○ Unlevered tax
	
	WIAL uses a building block model to forecast these inputs to the IRR calculation.
	
	4. Activities in the price setting consultation and Building Block Model
	
	The price setting disclosures require WIAL to publish information about two distinct groupings of regulated assets following the completion of consultation, namely its Total Regulated Asset Base and its Pricing Asset Base.
	
	WIAL's building block model is structured to provide a forecast outcome for each asset base (consistent with the Price Setting Disclosure schedule templates).
	
	The diagram below summarises the activities included in each asset base:
	
	Total Regulated Asset Base (Schedule 18)
	Airfield activities including airfield leases
	Specified terminal activities including terminal leases
	Noise Mitigation activities (WANT Ltd)
	Aircraft & freight activities
	
	Pricing Asset Base (Schedule 19)
	Airfield activities excluding airfield leases
	Specified terminal activities excluding terminal leases

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<tr><th>Determination Reference</th><th>WIAL Comment</th></tr>
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5. *Pricing Period for Consultation*

Consultation for PSE5 covered the 5-year period from 1 April 2024 to 31 March 2029.

6. *Presentation of Outcomes from Model*

Presentation of the outcomes from WIAL's model is consistent with, and provides the information required by, the price setting disclosure schedules. WIAL has taken this approach to make it easier for the Commission, and other interested persons, to evaluate WIAL's results in a consistent manner.

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<tr><td>Clause 2.5(1)(a)(i) Report on Total Asset Base Revenue Requirements (Schedule 18)</td><td>

This report, Schedule 18, is provided in the accompanying excel file. The report demonstrates WIAL's forecast return for PSE5, together with further details of the composition of the values included in the IRR calculation. Detailed comments on the various inputs are provided throughout this document.

The calculation of WIAL's return for the period is summarised in the table below, with the detailed workings provided in schedule 18.

Total Regulated Asset Base	**$000**
Opening RAB	711,747
Opening Carry Forward Adjustment	8,154
Opening Investment Value	**703,593**
Average Annual Net Cashflows:	
Revenue Requirement	164,467
Assets Commissioned	(111,585)
Cashflow from Asset Disposals	0
Operational Expenditure	(45,942)
Unlevered Tax	(27,597)
Closing RAB	1,212,008
Closing Carry Forward Adjustment	(38,966)

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Determination Reference	WIAL Comment

Opening Investment Value	**1,248,973**
Forecast Post-Tax IRR (excluding closing WACC carry forward)	**8.44%***
Forecast Post-Tax IRR (including closing WACC carry forward)	**9.09%***

**Note – the two IRR outcomes above differ slightly from the 8.40% / 9.08% that was presented in the FPD schedule 18. A minor correction has been made to the opening carry forward adjustment for non-pricing activities, which should have been $8.154m rather than $7.649m. This has no impact on forecast revenue requirements or pricing. Refer to commentary under clause 2.5(1)(d)-(e) "Carry Forward Adjustments".*

WIAL's target return for pricing assets is based on its WACC for the period at 8.61% (our information on how this WACC was determined is provided in our comments on clause 2.5(1)(c)(ii)).

The return on WIAL's total regulated asset base at 8.44% is lower than its target pricing return, because the returns from non-pricing activities are also below the target pricing return. These activities are explained below.

1. Noise mitigation activity

In conjunction with its substantial customers WIAL established a long-term commercial arrangement for airport noise mitigation activities (previously termed Land Use Management and Insulation for Airport Noise Study (LUMINS) activities). These activities relate to the removal of certain noise affected properties close to the airport and the noise insulation of other properties in the surrounding area.

Charges for the noise mitigation activity are established as a stand-alone cost recovery activity, with noise mitigation charges shown separately in the Schedule of Charges for PSE4. Inclusion of these charges in the pricing schedule also enables WIAL to recover charges from smaller airline operators that were not party to the consultation discussions with substantial customers.

WIAL used a stand-alone building block model to determine the revenue required, and subsequent pricing, for the noise mitigation activities. The stand-alone model allows a discrete charge to be maintained for this activity such that NPV=0 is achieved over the life of the project. The model has been provided to substantial customers for several previous pricing periods, as well as during this consultation for PSE5. The outcomes from the stand-alone model are:

Determination Reference	*WIAL Comment*

	Summary PSE1-4	Forecast PSE5	Forecast PSE6	Total Outcome
Revenue - Passenger Charges	**22,795**	**11,093**	**13,387**	**47,275**
Insulation Costs	(12,026)	(6,524)	(1,304)	(19,854)
Landscaping Costs	(521)	0	0	(521)
Admin Costs	(2,119)	(573)	(634)	(3,326)
Write-off of Acquired Houses	(8,166)	(2,296)	(2,735)	(13,197)
Total Expenses	**(22,832)**	**(9,394)**	**(4,672)**	**(36,898)**
EBITDA	**(37)**	**1,699**	**8,714**	**10,377**
Interest & Subvention	(2,123)	(2,602)	(1,880)	(6,605)
Net Profit Before Tax	**(2,160)**	**(902)**	**6,834**	3,771
Tax	934	252	(1,914)	(727)
Net Cashflows	**(1,226)**	**(650)**	**4,920**	**3,044**
NPV Net Cashflows (discounted @ WACC)	**(810)**	**(316)**	**1,126**	**0**

2. Other Regulated Activities

Other Regulated Activities comprise property leases to WIAL tenants that provide aviation services to airlines or passengers that fall within the definition of Specified Airport Activities.

More specifically the regulated property leases comprise:

- Aircraft and Freight activities – these are hangars and other buildings within the secure airport boundary that are leased to parties that are aircraft operators in their own right or those who provide services to aircraft operators.
- Terminal leases – to Government agencies to perform security or border control functions, or to airlines to enable them to manage their business operations at WIAL.
- Airfield leases – for service providers providing specific services to airlines. This includes the fuel companies, and the facilities they require, to supply aviation fuel at WIAL.

The lease terms, including the financial details for rentals and costs, are negotiated directly between WIAL and the

Determination Reference	*WIAL Comment*
	property tenants. The leases are negotiated on commercial bases that are consistent with property market conventions, rather than being set using a regulated building block approach. Particular aspects of the pricing process for property leases include: • Leases are negotiated directly between WIAL and the tenants (or prospective tenants). • The parties often engage the services of independent property market valuers to establish rental levels. • Rent levels are typically set following valuer reference to comparative rentals in the wider commercial property market, taking into account property market return expectations at the time leases commence. • Independent mediation or arbitration processes are available for the parties if rent levels cannot initially be agreed. • Rentals will reflect the size of the premises required, but also the level of fit out and/ or services required from WIAL. • The length of lease terms vary and reflect tenants demand, and WIAL's requirement for the lease facilities over time. That is, many leases will not reflect a five-year pricing period. • Leases begin and end at times determined by negotiations or the parties' requirements. Therefore, there are a multitude of lease periods that do not correspond with the regulated pricing period. • Leases can differ in the way WIAL recovers its property management and maintenance costs with some rents set on a gross basis, while in other leases tenants meet these costs. In establishing the financial information for the leased activities to include in the price setting disclosure WIAL has: • Allowed for average total rentals to increase, from current levels, either: o with allowances for changes in rental changes due to near term rent reviews with clients. o or annually by CPI where no specific rent reviews have yet been commenced. • Included estimates for additional rentals where new facilities are included in the capital expenditure forecast for the pricing period.

Determination Reference	*WIAL Comment*

- Included costs for leased activities from the cost allocation model to allocate costs for the pricing activities.
- Rolled forward leased assets from the RAB reported in the most recent annual disclosures as at 31 March 2023.

The forecasts for these activities are included in the building block model. The financial returns from these activities are required to be included in the activities reported in the price setting disclosure Schedule 18.

The summarised outcomes for lease properties (and also including WANT as a non-pricing activity) for inclusion in Schedule 18 are:

Non-Pricing Activities (Leases + WANT)	**$000**
Opening RAB	40,028
Opening Carry Forward Adjustment	3,382
Opening Investment Value	**36,646**
Average Annual Net Cashflows:	
Revenue Requirement	8,935
Assets Commissioned	(13,602)
Cashflow from Asset Disposals	0
Operational Expenditure	(3,669)
Unlevered Tax	(1,749)
Closing RAB	103,685
Closing Carry Forward Adjustment	0
Opening Investment Value	**103,685**
Forecast Post-Tax IRR	**6.25%**

The forecast IRR for these activities is below WIAL's target pricing return, and below WACC. This reflects the NPV zero target outcome for WANT and lease revenues being based on commercial processes.

WIAL notes that the financial returns achieved for the leased activities are not readily reconcilable to a target return or WACC for a regulated pricing period. This is due in particular to:

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the different points in time at which prices are set;
varying contract durations for individual leases;
particular lease terms required by individual tenants which can include extent of fit out, inclusion or exclusion of operating costs and specific tenancy location; and
the conventional property market price setting processes which differ from the building block approach for regulated activities.

</td></tr>
<tr><td>Clause 2.5(1)(a)(ii) Report on Pricing Asset Base Revenue Requirements (Schedule 19)</td><td>
Separate disclosure of the outcomes achieved from the pricing asset base, a subset of the total regulated asset base, are disclosed in Schedule 19. The pricing asset base provides the facilities that are used to enable the aviation and passenger services provided by aircraft operators. These are the airfield and specified terminal services defined in the AAA (with some leased assets and revenues excluded as they are not included in the charging regime for passenger or aircraft operations).

A summary of the outcomes from schedule 19 is:
<table>
<tr><th>Pricing Asset Base</th><th>$000</th></tr>
<tr><td>Opening RAB</td><td>671,719</td></tr>
<tr><td>Opening Carry Forward Adjustment</td><td>4,771</td></tr>
<tr><td>Opening Investment Value</td><td>666,947</td></tr>
<tr><td>Average Annual Net Cashflows:</td><td></td></tr>
<tr><td>Revenue Requirement</td><td>153,745</td></tr>
<tr><td>Assets Commissioned</td><td>(97,983)</td></tr>
<tr><td>Cashflow from Asset Disposals</td><td>0</td></tr>
<tr><td>Operational Expenditure</td><td>(42,273)</td></tr>
<tr><td>Unlevered Tax</td><td>(25,548)</td></tr>
<tr><td>Closing RAB</td><td>1,108,323</td></tr>
<tr><td>Closing Carry Forward Adjustment</td><td>(36,966)</td></tr>
<tr><td>Opening Investment Value</td><td>1,145,289</td></tr>
<tr><td>Forecast Post-Tax IRR (excluding closing WACC carry forward)</td><td>8.61%</td></tr>
<tr><td>Forecast Post-Tax IRR (including closing WACC carry forward)</td><td>9.35%</td></tr>
</table>
</td></tr>
</table>

Determination Reference	*WIAL Comment*
	Detailed comment on the building block inputs forming the pricing asset base, and the rationale for WIAL's target return, follows in this disclosure document.
Clause 2.5(1)(a)(iii) Disclosure of Report on Demand Forecasts (Schedule 20)	WIAL commissioned InterVistas to provide a series of demand forecasts for PSE5 used for the IPP, RPP and finally FPD using the latest information available. The forecasting methodology is consistent with that applied for the Master Planning forecasts in 2017 and PSE4 forecasts in 2020/21. The methodology uses a combination of top-down econometric demand forecasting, accounting for trends in markets driven by GDP and air travel elasticities, and bottom-up supply assumptions, which consider anticipated schedule and aircraft changes particularly over the short-term. Supply assumptions are based on announced future changes to fleet and networks, and anticipated trends relating to future fleet and network changes accounting for exogenous growth. The development of the forecasts comes at a time when the aviation industry is still in a state of flux. While the direct impacts of Covid (border closures, travel restrictions) have largely disappeared and the demand for travel has fully returned, the consequences of Covid continue to be felt, including a high cost/fare environment, aircraft maintenance bottlenecks, delays in aircraft delivery, and staffing/crewing challenges; all of which have contributed to a slower than anticipated capacity recovery. With demand for travel exceeding capacity (with recovery not back to pre-Covid levels for the first half of PSE5) we expect yield management will continue to result in higher fares over much of PSE5. Airport charges remain a small proportion of the overall fare (particularly in a high airfare environment) and so any increase in airport charges is likely to be largely absorbed within the yield management model. Increases in airport charges will also be partially offset by published incentives for growth, which will result in lower airport charges for airlines that add capacity and grow demand. ***<u>Pratt & Whitney Engine Issue</u>*** Of direct impact to Wellington Airport has been the Pratt & Witney (P&W) engine issues faced by Air NZ. On 7 November 2023, Air NZ released an update on the P&W engine impacts on their schedule. In the media release, the airline advised of a new consolidated flying schedule which would combine some flying and move some aircraft types to different routes. The engine issue also impacted Tasman operations, including the pausing of the Auckland-Hobart service. The release noted that the "impacts of the P&W servicing schedule change are significant and could impact services for up to two years", and that "the airline will have up to four aircraft grounded at any one time"; at the time of writing, there were 4x A321Neo domestic aircraft parked representing around 13% of the airline's domestic capacity.

Determination Reference	*WIAL Comment*
	The Air NZ jet-fleet constraints have resulted in a material reduction in capacity flown between Wellington and Auckland on A321 domestic aircraft, the switching from predominantly jet to an ATR operation on Wellington-Christchurch, and some redistribution of ATRs from regional services to use on the Wellington to Christchurch route. Limitations on narrow-body jet availability have also constrained Air NZ's ability to restore Tasman services at Wellington, in particular Wellington-Sydney which is scheduled to operate at around 60% of 2019 levels in 2025 and the seasonal Wellington-Fiji service which has not returned post Covid. Forecasts were updated through each step of the PSE5 consultation using the best information at the time, with InterVistas providing a 10-year forecast used for the IPP and RPP. Passenger demand in the outward years of PSE5 (FY27-FY29) remained broadly constant throughout the updating process as medium-term drivers of demand (GDP, fleet plans) were stable. As the outlook for FY24 (base year for forecasting) worsened, and the full extent of the P&W engine issues became clearer, the forecasts for FY25 and FY26 progressively reduced as the outlook for capacity recovery worsened. For the FPD the InterVistas forecasts used in the RPP were retained but adjustments were made to FY25/FY26 passengers reflecting the latest FY24 expected outturn, published schedules for FY25 and the assumption that the P&W engine issue would continue through to mid-FY26 as was the advice at the time. Qantas Group were generally in broad agreement with the forecasts and Air NZ "had no reason to dispute". ***Domestic Forecasts*** • The FY24 expected out-turn is 4.70Mppa with demand for the year continuing to be weaker than anticipated primarily as a result of the P&W engine issue and a slower recovery in Jetstar Auckland services. • Based on the schedules at the time, FY25 is expected to reach 4.78Mppa (+2% on FY24, 87% of FY19 levels) as capacity remains constrained but with a minor increase in load factor. • FY26 pax reaches 5.24Mppa as A321neo aircraft are gradually reintroduced to operation and 2xATR's are added to the fleet. • By FY29 6.0Mppa domestic passengers are forecast to pass through the airport representing a 5.0% CAGR from FY24.

Determination Reference	*WIAL Comment*
	International Forecasts • The FY24 expected out-turn is 721kppa with recovery negatively impacted by absence of Virgin Australia and Singapore airlines, as well as the Air NZ P&W fleet issues. • Based on the schedules at the time, FY25 is expected to reach 767kppa (+6.5% on FY24, 83% of FY19 levels) as the new Qantas Brisbane service is annualised. • FY26 pax is forecast to reach 832kppa as the back-filling of Virgin Australia capacity continues and Air NZ's P&W engine issues are resolved. • Between FY26 and FY29, capacity backfilling is expected to continue, as well as ongoing frequency increases on OOL/NAN, the return of a 5th freedom widebody service in FY27, and a new Australian short haul and seasonal Pacific Island destination at the end of PSE5. • By FY29 1.09Mppa international passenger are expected to pass through the airport representing an 8.6% CAGR from FY24. ***Unscheduled Growth*** • Unscheduled aircraft movements are forecast to remain at FY24 levels through PSE5.
Clause 2.5(1)(c) Description of Components of Forecast Revenue Requirements	Clause 2.5(1)(c) requires comment on how each of the building block inputs to Schedules 18 and 19 have been determined including an explanation of: *(vii)* the rationale for the basis of preparing these components, and any related assumptions; *(ix)* the extent to which each component is used to determine the forecast total revenue requirement; and *(x)* the differences (if any) between the preparation of each component and the most recent corresponding historical financial information disclosure in accordance with clause 2.3 WIAL provides comment on each of these requirements for the building block inputs in the sections that follow.
Clause 2.5(1)(c)(i) Forecast Asset Base	WIAL adopted asset valuation methodologies that are consistent with the Commission's IMs. The 1 April 2024 commencing asset values for PSE5 are based on the following:

Determination Reference	*WIAL Comment*
	• Land assets - Market Value Alternative Use (MVAU) land valuation. • Specialised (non-land) assets – Roll forward of the audited 31 March 2023 regulatory asset base (prepared for the annual information disclosure). The roll forward of the asset base over the PSE5 period then incorporates the following forecast components: • Asset revaluations – refer to commentary on clause 2.5(1)(c)(vi) • Forecast capital expenditure – refer to commentary on clause 2.5(1)(l) • Asset allocation – refer to commentary under paragraph 4 below • Depreciation – refer to commentary on clause 2.5(1)(c)(iv) ***1. MVAU land valuation*** WIAL commissioned independent valuers CBRE to undertake a land valuation as at 1 April 2023, based on the methodology specified in the IMs. The valuation was undertaken at this date such that WIAL could consult with customers on the outcome and the impact on forecast prices. The 1 April 2023 valuation has been rolled forward to 1 April 2024 at CPI to align with the start date of PSE5. The MVAU valuation is based on an alternative land use plan prepared by Boffa Miskell, with market demand analysis prepared by Property Economics Limited. The valuation report (published alongside these disclosures) was provided to substantial customers with the IPP. The airlines views on the valuation are provided later in this section. The detailed principles and conclusions are not restated in this section as these are fully set out in the valuation report. In the comments below we explain how the valuation has been allocated to WIAL's regulated and pricing asset bases. ***1.1 Land Area*** WIAL maintains a detailed asset register that records land holdings based on underlying use. Each area is directly attributed to a business activity where possible, or to a shared use which is then allocated between regulated and non-regulated activities:

Determination Reference	*WIAL Comment*

Classification	Total Area - WIAL Landholding	Less: Investment Property/ Commercial Land	Less: WANT properties	Unallocated Area - MVAU Valuation	Allocated Area - Regulated Asset Base
Airfield	76.9		(0.3)	76.6	82.0
Specified Terminal	0.0			0.0	1.3
Aircraft & Freight	3.0			3.0	3.8
Shared - Terminal	1.6			1.6	
Shared - Other	5.6			5.6	
Future Use	16.5			16.5	
Commercial	26.3	(26.3)		0.0	
Total	**130.0**	**(26.3)**	**(0.3)**	**103.4**	**87.0**

Notes:
a. Total 130ha landholding reconciles to page 11 of CBRE report
b. 103.4ha MVAU area reconciles to page 20 of CBRE report
c. Allocation of shared areas based on the methodology/rates applied in WIAL's 2023 annual information disclosures

The land area included in the MVAU valuation is calculated as follows:

	Hectares
Total WIAL landholding	130.0
Less: investment property/commercial/WANT land	(26.6)
Net land area used for specified airport services	**103.4**
Less: allowance for roads	(20.6)
Less: allowance for public spaces	(15.8)
Net developable area for MVAU valuation	**67.0**

1.2 Land Valuation

The value of the regulated asset base land was then calculated as follows:

Determination Reference	WIAL Comment

Total MVAU valuation @ 1 April 2023	$288.5m	*Per page 3 of CBRE report*
Total land available for MVAU valuation	103.4ha	
Value of land per square metre @ 1 April 2023	**$279.01**	
Forecast CPI for roll forward to 1 April 2024	4.1%	
Value of land per square metre @ 1 April 2024	**$290.45**	
Allocated Area – Pricing Asset Base	83.3ha	
Allocated Value – Pricing Asset Base	**$241.9m**	
Allocated Aero – Total Regulated Asset Base	87.0ha	
Allocated Value – Total Regulated Asset Base	**$252.8m**	

Note that the treatment/impact of the resulting valuation gain is addressed in the comments on asset revaluations, and carry forward adjustments, later in this document.

2. *Valuation of Specialised (Non-Land) Assets*

The commencing asset base for PSE5 pricing is a roll forward of the RAB reported in WIAL's annual information disclosure for the year ended 31 March 2023.

3. *Airline Views on Asset Valuation*

Valuations were consulted with airlines in the IPP, which were based on:

- a Market Value Alternative Use land valuation prepared by CBRE; and
- rolling forward the 2023 RAB for non-land assets.

Air NZ noted that WIAL has adopted "a continuation of its historic approach to valuation, including revaluations. Air NZ is comfortable with Wellington Airport's proposed approach and notes it is consistent with the Commission's IMs. AIR NZ is also comfortable with Wellington Airport's approach to asset allocation."

Qantas Group responded that asset revaluations were not warranted, citing IATA advice that revaluations are "inefficient, unfair, impractical and not standard practice."

WIAL considered airline feedback and determined to continue its revaluation approach, as the approach is:

Determination Reference	*WIAL Comment*
	• Largely compliant with the IMs (with the exception of small parcels of land transferred from commercial to aeronautical use at MVEU); and • Results in lower charges for airlines in this pricing period, compared to a non-revaluation approach. ***4. Allocation of Assets*** The methodology applied by WIAL to allocate assets between activities, as in the tables above, and for the other asset related items included depreciation and revaluations, is consistent with the approach applied by WIAL in previous pricing periods, and in annual information disclosures. *Generic Approach* The Commission's IM for asset allocation requires WIAL to: • Identify directly allocated assets. • Allocate a share of common assets to specified airport activities by using causal or proxy cost allocators. The approach that WIAL applied, is consistent with the Commission's IMs, and was as follows: • WIAL assigned a business code to each asset to depict the business activity in which that asset is used. The categories used by WIAL were: ○ Airfield ○ Terminal aeronautical, terminal non-aeronautical, terminal common ○ Airfield and freight ○ Commercial ○ Shared • Directly attributable assets were identified from the asset coding above. • Shared or common assets were then allocated as follows: ○ The terminal common assets are those used to provide services to all users of the terminal. These assets were allocated between terminal aeronautical and commercial activities. ○ Shared assets are those used to provide services to all users of the airport site. A share of these assets was allocated to all airport business activities.

<table>
<tr><th>Determination Reference</th><th>WIAL Comment</th></tr>
<tr><td></td><td>
<u>Allocation of Shared Assets</u>

The bases for the allocation of shared assets to aeronautical activities were as follows:

<table>
<tr><th></th><th>Allocation of Shared/Common Terminal Assets</th><th>Rate per 2023 IDs</th></tr>
<tr><td></td><td>Basis for Allocation</td><td>Aeronautical %</td></tr>
<tr><td>Land</td><td>Allocated between terminal aeronautical and contestable areas based on floor areas for directly allocated assets</td><td>78.1%</td></tr>
<tr><td>Other Assets</td><td>Allocated between terminal aeronautical and contestable areas based on asset values for directly allocated assets+</td><td>91.7%</td></tr>
</table>

<table>
<tr><th></th><th>Allocation of Other Shared Assets</th><th>Rate per 2023 IDs</th></tr>
<tr><td></td><td>Basis for Allocation</td><td>Aeronautical %</td></tr>
<tr><td>Land</td><td>Based on share of land area directly allocated to activities.</td><td>81.0%</td></tr>
<tr><td>Other Assets</td><td>Based on value of assets directly allocated to activities.</td><td>59.0%</td></tr>
</table>

5. Extent to which each Component is used to Determine the Forecast Total Revenue Requirement

The forecast components and forecast asset base for pricing activities is included in the IRR calculation in Schedule 18, which has been used to determine the total pricing revenue requirement for PSE5.
</td></tr>
<tr><td>Clause 2.5(1)(c)(ii) Forecast Cost of Capital</td><td>
1. Methodology Adopted by WIAL

In establishing its WACC estimate for PSE5, WIAL has determined to apply the 2023 IMs as the foundation of most WACC inputs. However, we also noted that the IMs were being consulted upon in parallel to pricing consultation, and once the final IM Determination was issued these were also subject to IM appeals.

Airlines constructively suggested that WIAL apply the IMs as per the 2023 IM Determination, with an adjustment mechanism should airport appeals be successful. WIAL has adopted this suggestion by carrying forward the amount that is subject to IM appeal outcomes. WIAL will be able to recover this amount in PSE6 if airport appeals are successful.
</td></tr>
</table>

Determination Reference	*WIAL Comment*

In this section WIAL explains the differences between WIAL's forecast cost of capital and the Commission's estimate for WIAL.

2. *Calculation of WACC for PSE5*

WIAL's starting point for calculating its WACC was to apply the Commission's mid- point parameters, before making one change to estimate a WIAL-specific WACC. WIAL forecast its debt premium to take into account its actual BBB credit rating, rather than the A- rating assumed by the Commission in its sector-wide estimates.

WIAL previously adopted a BBB+ estimate for PSE4, which the Commission agreed was reasonable in WIAL's specific circumstances and consistent with prudent levels of debt financing. WIAL's credit rating has since changed to BBB so we have applied an additional adjustment. We note the difference between a BBB+ and BBB adjustment has a minimal impact on overall WACC outcomes.

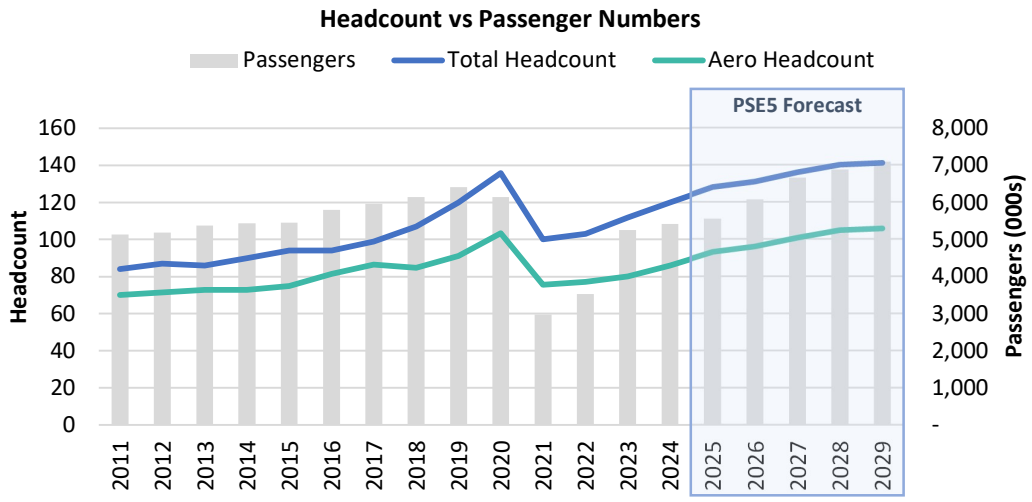
WIAL's estimate of WACC, and as compared to the Commission, was calculated as follows:

Parameter	Commission's WACC (1 January 2024)	WIAL WACC (1 January 2024)	WIAL appeal position (1 January 2024)
Risk-free rate	5.03%	5.03%	5.03%
Debt premium	1.17%	1.60%	1.60%
Leverage	23%	23%	15%
Asset beta	0.67	0.67	0.79
Equity beta	0.87	0.87	0.93
Tax adjusted market risk	7.00%	7.00%	7.00%
Average investor tax rate	28%	28%	28%
Debt issuance costs	0.20%	0.20%	0.20%
Cost of debt	6.40%	6.83%	6.83%
Cost of equity	9.71%	9.71%	10.13%
Mid-point vanilla WACC	8.95%	9.05%	9.63%
Mid-point post-tax WACC	**8.54%**	**8.61%**	**9.35%**

Determination Reference	*WIAL Comment*
	WIAL has applied a WACC of 8.61% but has reserved the ability to recover a WACC of up to 9.35% if this position is endorsed by the High Court following merits review of the IMs. This amount would be recovered via carry-forward adjustment in PSE5 if airport appeals are successful. The equity beta of 0.93 and leverage of 15% reflect airports' proposed IMs as expressed in the IM appeal documents. WIAL provides further comments in the Final Pricing Document explaining its approach. ***2.1 Cost of Debt*** As noted above, WIAL has applied a cost of debt that is broadly consistent with the Commerce Commission's IMs, other than an adjustment for WIAL's BBB credit rating. ***2.2 Asset Beta (Cost of Equity)*** WIAL has applied a cost of equity estimate consistent with the Commissions' 2023 IMs determination. As noted above, we have reserved the ability to adjust the equity beta and leverage parameters based on the outcome of appeals. ***3. Substantial Customer Views on WACC*** The bulk of feedback received during consultation related to WACC. This was a complex issue during consultation due to the Commerce Commission's IMs review being carried out simultaneously. The substance of airline feedback was that WIAL should apply the 2023 IMs as determined by the Commission. While this was not WIAL's initial approach, airline feedback was taken into account and the 2023 IMs have effectively been adopted for the purposes of this pricing period, with the exception of debt premium. As noted above, WIAL has reserved the ability to recover a higher WACC if airport appeals on the IMs are successful. This recovery would not occur until PSE6. Airlines also offered feedback that helped WIAL to resolve the remaining difference in opinion over equity beta and leverage inputs, which are the subject of appeals. All three airline submitters suggested that WIAL should adopt the 2023 IMs, with an adjustment mechanism should airport appeals be successful. WIAL has adopted this constructive suggestion and included a carry forward to PSE6 to enable this adjustment to be made, subject to the outcome of appeals. ***4. Extent to which each Component is used to Determine the Forecast Total Revenue Requirement*** WIAL's WACC provides a guide to the target return to be earned on regulated activities, but with a target return for a pricing period then established during consultation with airlines. As noted earlier in this section, and demonstrated in Schedules 18 and 19, WIAL adopted a target return consistent with its WACC estimate for PSE4. Once leased or non-pricing assets are

Determination Reference	*WIAL Comment*
	taken into account, WIAL's overall return on regulated assets is below WACC.
Clause 2.5(1)(c)(iii) Forecast Operational Expenditure	WIAL established a combined operating expenditure forecast for pricing activities plus its leased aeronautical facilities. A separate forecast was established for the noise mitigation activities. The two forecasts are addressed separately in the following sections. ***1. Description of Forecasting Approach/Rationale: Pricing Activities and Leased Aeronautical Facilities*** **Cost Allocation Methodology** In WIAL's financial management system, operating costs are grouped into 'cost centres' to reflect the various operational functions and key assets. WIAL's cost allocation approach first considers whether each cost centre can be allocated across aeronautical and non-aeronautical activities using a direct or causal driver, with remaining cost centres then being allocated using a proxy driver. Appendix A sets out the cost centres identified by WIAL as having either a direct or indirect aeronautical component, explains the nature of the activity and states the allocation driver applied. This methodology is consistent with the Annual Disclosures and forecasts for prior pricing periods. **Forecast Approach** WIAL's whole of company budget for FY24 was used as the base year for PSE5 forecasts. The annual budget is subject to a detailed and robust review prior to approval by the company's Executive and Board. Furthermore, actual expenditure for the year is expected to be in line with budget. The budget was allocated to regulated and unregulated activities using a methodology consistent with the IMs. WIAL has applied the same cost allocation model used to prepare annual information disclosures and previous PSE forecasts. The allocated FY24 budget was then rolled forward for five years, taking into account assumptions including CPI, service levels and changes in operational requirements. Each of these assumptions is commented on below. ***2. Key Assumptions: Pricing Activities and Leased Aeronautical Facilities (Applied from FY25 onwards)*** ***Inflation*** CPI has been assumed consistent with the rates applied for the indexed revaluations of WIAL's asset base. The CPI forecasting methodology and outcomes are covered in the disclosures regarding asset revaluations.

Determination Reference	*WIAL Comment*
	Passenger Numbers An allowance was made for specific passenger-related costs to increase according to forecast passenger numbers. The passenger forecast forecasting methodology and outcomes are covered in the disclosures regarding passenger numbers. The costs where this assumption has been applied include: • Cleaning; • Rubbish removal; and • Toilet consumables. ***Salary Inflation*** Remuneration of existing employees was forecast to increase at our assumed CPI inflation rates plus an allowance of 1% for real increases. This is based on external advice and our assessment of a reasonable increase in remuneration levels and should enable WIAL to retain staff at market levels in a competitive market. ***Employee Numbers*** In response to Covid-19, WIAL resized its workforce over 2020/21 to deliver a 30% reduction in headcount. Despite a strong recovery in passenger numbers and activity levels over PSE4, WIAL has continued to safely provide high-quality service with a smaller workforce through increased productivity and innovation. The FY24 base year for PSE5 forecasts assumes employee numbers remain 18 below pre-Covid levels (120 vs 138). Additional roles are expected to be required over PSE5 with changing operational requirements and as passenger numbers recover to, then exceed, pre-Covid levels. The forecast assumes a return to 138 employees in FY28 (1-2 years after passenger numbers are expected to fully recover) with a total of 141 employees at the end of PSE5. Efficiencies gained during Covid-19 are forecast to be retained, and therefore some roles are not forecast to return, but other areas (such as sustainability and Airport Fire Service) will require additional resource. For the AFS, WIAL undertook a Task and Resource Analysis (TRA), following guidance issued by the Civil Aviation Authority. This analysis shows that WIAL needs additional firefighters. After deferring implementation of these requirements from PSE4 due to the pandemic driven reduction in activity, WIAL intends to phase in additional resourcing over PSE5. The forecast includes an allowance for three new firefighters in each of the years from FY25 to FY28, plus an AFS Manager and Training Officer The chart below shows whole of company and aeronautical headcount alongside passenger numbers for FY11 to FY24, and for the FY25-FY29 forecast period:

Determination Reference	*WIAL Comment*
	 ***Insurance*** Despite difficult market conditions and Covid impacts over recent years, WIAL's insurance premiums per dollar of insured value are near flat in nominal terms over the long-term, and have reduced in real terms. Three key factors have been taken into account in our forecast insurance costs for PSE5: • Projected increases in underlying premium rates as international reinsurers continue to price in recurring natural disasters (7.5% p.a. assumed based on advice from WIAL's brokers and taking into account actual increases experienced over recent years); • Growing asset replacement values due to capital expenditure plus the impact of cost of construction inflation on existing assets; and • Higher business interruption insurance values consistent with revenue forecasts. WIAL continues to place the majority of its insurance through the UK market and has maintained direct relationships with insurers to achieve the best terms possible.

Determination Reference	*WIAL Comment*
	WIAL has also established a wholly owned captive insurance company to provide an alternative insurance risk management solution. This provides more stable and cost-efficient outcomes over the long-term by: • Enabling WIAL to directly access the reinsurance market thereby minimising commission costs charged in traditional insurance transactions; • Increasing price tension by strategically competing for portions of WIAL's insurance cover; and • Reducing exposure to price fluctuations by increasing/decreasing self-insurance in response to market conditions. ***Local Authority Rates*** Rates increases are driven by Wellington City Council and Greater Wellington Regional Council and WIAL has minimal ability to influence these costs. Based on advice from the Council, WIAL has assumed increases over PSE5 per their current long-term plan (2021-2031). The PSE5 forecast also includes an allowance for new aeronautical land and building assets based on capital expenditure. ***Terminal Heating Decarbonisation*** WIAL plans to progressively transition from the existing natural gas heating system for the terminal to electric heat pumps. This is an important step in reducing the airport's own carbon emissions but will result in a net increase in energy costs. ***PLEXIT*** Airways and WIAL are in negotiations regarding the transfer of AGL assets from Airways to WIAL, expected to occur at the commencement of PSE5. The requirements for the day-to-day inspection, operation, and maintenance of the airfield lighting system are set by the CAA, and require specialist resources, with 24-hour coverage, to ensure safety and continuity of operations. WIAL has considered how best to provide this coverage, given the specialised nature of the subject, and the limited resource available in NZ, and proposes to outsource this to a third party for the duration of PSE5. The third party's proposal for provision of services has been used as the basis for the forecast operating costs.

Other costs

Other costs include the following items:

IT/Technology

WIAL has made ongoing investments, extension of services provided and improvements in IT over recent years, in particular for common use check in and bag drop terminal equipment, increased cyber security defences and ongoing increased automation. These have enabled deferred infrastructure expansion and reduced spend as noted above plus increased customer service, efficiency and resilience.

Notwithstanding this, the change in accounting treatment of cloud-based software as a service subscriptions has also resulted in a step change in operating expenditure as costs need to be reclassified from capital to operating expenditure.

WIAL has assumed a 20% real increase per annum for PSE5 in line with its forecasts to enable continued investment in operating systems to improve service, efficiency and resilience.

Common Use Terminal Equipment

WIAL plans to continue its investment in common use equipment for passenger facilities including at boarding gates, check-in and baggage drop. Common use facilities create considerable efficiencies for customers through:

- Reducing the requirement for expansion of airport infrastructure to facilitate dedicated airline facilities;
- Improving the flexibility of the terminal check in area to accommodate airline growth and changes;
- Reducing the duplication of airline owned equipment/personnel;
- Enabling WIAL to manage check-in capacity over a larger group of passengers to improve utilisation of common use equipment; and
- Enabling airlines to improve customer service, contactless travel and reduce their own staffing levels and costs.

Airport Operations Requirements

The following changes in Airport Operations costs have also been included in the PSE5 forecast:

- Passenger Tracking: WIAL is aware that, at times, queue lengths and wait times are exceeding passenger expectations and do not meet target service levels. WIAL has been working with Avsec to improve this service. Implementing passenger tracking technology in PSE5 will enable WIAL to better manage and predict passenger flows. This will also inform future operational and investment decisions to address these issues.

Determination Reference	*WIAL Comment*
	• Airport Collaborative Decision Making (ACDM): WIAL implemented ACDM during PSE3. To further develop the benefits of ACDM, such as improving apron efficiency and reducing track miles, ACDM needs a network wide approach. Airways and Airlines have both expressed interest into re-energising this national project and WIAL considers it appropriate and beneficial to progress. • Virtual Training: Staff Training is a cornerstone for safe and efficient airport operations. WIAL is proposing to introduce some virtual training to compliment the current learning management toolbox. Virtual training will initially focus on airside driver training and training for our Airport Fire Service. • Airport Compliance & Safety Management System Replacement: Currently WIAL is operating separate systems to manage risk, compliancy, audits, investigations and emergency response. WIAL plans to combine all of these aspects into one system with a view to improving the overall safety management system. ***3. Substantial customer feedback*** Feedback on operating expenditure was generally positive. Air NZ acknowledged the measures WIAL took to reduce its operating cost base, while acknowledging some increases due to regulatory requirements and changing functions were unavoidable. Air NZ considered that WIAL had demonstrated historically a commitment to managing costs. BARNZ did not comment on operating costs, indicating that it was comfortable with the proposed costs. Qantas asked WIAL to identify further efficiencies and improvements, and requested further information. WIAL considered Qantas' feedback and determined that per-passenger opex is extremely efficient, compares favourably to other airports, and is generally flat in real terms over time. WIAL therefore did not consider further reductions or efficiencies to be appropriate or necessary, and appreciated the acknowledgement by Air NZ of its ongoing efforts to reduce costs. WIAL did not propose any items for further reduction or revision, but made specific responses to Qantas' questions and feedback in the RPP. ***4. Description of Forecasting Approach/Rationale & Key Assumptions: Noise Mitigation Activities*** Costs for the noise mitigation activities of Wellington Airport Noise Treatment Limited (WANT Ltd) have been forecast in three key categories as outlined below. **Noise Treatment** WANT Ltd undertakes treatment of certain properties impacted by airport noise to achieve acceptable noise levels. This work is being undertaken in a staged approach across various residential areas and the treatment costs for PSE5 have been forecast using the following assumptions for each area: • Homeowner uptake rates (based on historic actuals and WIAL's best judgement)

Determination Reference	*WIAL Comment*

- Average cost of treatment design and installation per house (based on historic actuals and external contractor advice)
- Annual cost of construction inflation (based on independent external reports)

House Removals/Write-Offs

WIAL acquires and removes houses that are exposed to high noise levels if they cannot be effectively treated. The cost of the buildings acquired then written-off is determined using ratable values. The land component is not included in the cost forecast as this is recognised as an asset.

WIAL has assumed one house will need to be acquired and demolished by WANT Ltd each year in PSE5. Actual write-off expenditure will depend on ongoing review of noise impacts, home-owner uptake, and individual property values.

Administration

This category incorporates the staffing cost of delivering the programme, annual audit fees for WANT Ltd's financial statements, plus contract works insurance. These costs are forecast based on historic actuals, increasing with CPI inflation each year over PSE5.

5. Extent to Which the Forecasts are Used to Determine the Total Revenue Requirement

Forecast operational expenditure for pricing activities is included as an annual cashflow in the IRR calculation in schedule 18, which has been used to determine the total pricing revenue requirement for PSE5.

Forecasts for noise mitigation activity expenditure are included in a separate standalone model for the determination of noise mitigation (LUMINS) passenger charges.

Forecasts for leased aeronautical facility expenditure are not incorporated into the determination of WIAL's pricing but are disclosed in schedule 18 as part of total operational expenditure for regulated activities.

WIAL's final operating expenditure forecasts, summarized in the categories required by schedules 18/19, are provided below:

Operational Expenditure Forecasts	FY25	FY26	FY27	FY28	FY29	PSE5 Total
Pricing Activities						
Asset management and airport operations	24,548	27,594	30,477	33,971	36,942	153,531
Asset maintenance	2,009	2,049	2,088	2,127	2,164	10,437

Determination Reference	WIAL Comment

Corporate overhead	8,068	8,731	9,386	10,179	11,033	47,395
Total	**34,624**	**38,374**	**41,951**	**46,276**	**50,139**	**211,364**

Noise Mitigation Activities						
Asset management and airport operations	2,100	2,244	2,024	1,325	1,126	8,820
Asset maintenance	0	0	0	0	0	0
Corporate overhead	110	112	115	117	119	573
Total	**2,210**	**2,357**	**2,139**	**1,442**	**1,246**	**9,394**

Aeronautical Lease Activities						
Asset management and airport operations	985	1,406	1,496	1,594	1,703	7,185
Asset maintenance	66	67	68	70	71	341
Corporate overhead	253	268	283	301	320	1,425
Total	**1,304**	**1,742**	**1,848**	**1,964**	**2,093**	**8,951**

Additional information provided to substantial customers during consultation included:

- Costs for each year from 2024 – 2029, broken down into key expenditure lines;
- Costs for each year from 2024 – 2029, grouped by specified airport services;
- Commentary on the rationale for, and drivers of, forecast movements in expenses from the most recent Annual Information Disclosures and over the Pricing Period; and
- Commentary on WIAL's historic cost performance, service quality and efficiency.

6. Differences between the preparation of forecasts and the most recent corresponding historical information disclosed

The PSE5 forecast was prepared using the same cost structure, allocation methodology, and allocation ratios as the 2023 Information Disclosures. The different expenditure amounts each year are driven by the forecast assumptions described above.

Determination Reference	*WIAL Comment*
Clause 2.5(1)(c)(iv) Forecast Depreciation	The Forecast Depreciation comprises depreciation on existing assets plus an allowance for depreciation on new assets commissioned during the Pricing Period. ***1. Forecast Depreciation on Existing Asset Base*** WIAL has forecast annual depreciation from the RAB prepared for the 2023 Information Disclosures. The forecast was determined in the manner required by the IMs for Annual Disclosures with the calculation using the asset base values and asset lives from the 2023 RAB, rolled forward over 2024–2029. For further information on WIAL's depreciation methodology refer to our comments at clause 2.5(1)(p) for nonstandard depreciation, and clause 2.5(1)(q) for standard depreciation. ***2. Forecast Depreciation on Assets Commission During the Period*** Assets are depreciated from the date assets are forecast to be commissioned. Depreciation for new assets is calculated in the building block model based on WIAL's capital expenditure forecast. Each project has an asset class assigned which drives the depreciation rate applied. The depreciation rate for each asset class reflects WIAL's estimate of the average economic life, and the rates are consistent with existing assets in the RAB and WIAL's financial reporting policies: **Class of asset** / **Depreciation rate (Straight line)** Land / Not depreciated Civil / 2.5% Buildings / 2.5% Building Ancillary Services / 6.7% Plant & Equipment / 20.0% Vehicles / 20.0% Communications Equipment / 33.3% Fixtures & Fittings / 20.0% Computer Equipment / 33.3%

3. *Allocation of Depreciation to Regulated Activities*

Depreciation is allocated using WIAL's asset allocation methodology, described above in commentary for clause 2.5(1)(c)(i).

4. *Tax Depreciation*

Consistent with the approach described above for regulatory depreciation, tax depreciation on existing assets is based on a roll forward of the tax RAB prepared for the 2023 Information Disclosures.

Tax depreciation on assets commissioned during the period are consistent with IRD requirements at the time the final pricing decisions were issued, and are consistent with existing assets in the tax RAB:

Class of asset	Depreciation rate (Diminishing Value)
Land	Not depreciated
Civil	7.5%
Buildings	Not depreciated
Building Ancillary Services	12.5%
Plant & Equipment	15.0%
Vehicles	20.0%
Communications Equipment	25.0%
Fixtures & Fittings	15.0%
Computer Equipment	50.0%

WIAL also updated its forecasts to reflect the change to cease tax depreciation on commercial non-residential buildings, taking effect from 1 April 2024.

5. *Extent to Which the Forecasts are Used to Determine the Total Revenue Requirement*

Forecast depreciation for pricing assets is included in the forecast pricing asset base for schedule 18, which has been used to determine the total pricing revenue requirement for PSE5.

6. *Differences between Preparation of the Forecast Depreciation Adopted for Price Consultation and Information Disclosure for the Year Ended 31 March 2023*

The depreciation forecast for pricing was established in a consistent manner with the calculation methodology for the 2023 Annual Disclosures.

<table>
<tr><th>Determination Reference</th><th>WIAL Comment</th></tr>
<tr><td>Clause 2.5(1)(c)(v) Forecast Unlevered Tax</td><td>

1. *WIAL Methodology*

WIAL has used the unlevered tax calculation specified in the IMs, except WANT activities. The tax cashflows for WANT are based on a forecast of actual tax liability to the IRD. WIAL considers this appropriate as there are unique tax considerations for WANT (specifically the deductibility of expenditure relating to house write-offs) and this approach provides a true NPV neutral cashflow outcome for the programme.

2. *Extent to Which the Forecasts are Used to Determine the Total Revenue Requirement*

Forecast unlevered tax for pricing activities is included as an annual cashflow in the IRR calculation in schedule 18, which has been used to determine the total pricing revenue requirement for PSE5.

3. *Differences between Preparation of the Forecast Tax Adopted for Price Consultation and Information Disclosure for the Year Ended 31 March 2023*

WIAL's tax calculation is consistent for the pricing consultation and Annual Disclosure calculations.

</td></tr>
<tr><td>Clause 2.5(1)(c)(vi) Forecast Revaluations</td><td>

1. *Approach to Forecast Revaluations*

WIAL has forecast revaluations for PSE5 based on WIAL's CPI assumption, with the annual revaluations included as income.

2. *CPI Assumption for Revaluations (and other pricing inputs)*

WIAL sought airline views on its proposed approach to forecast revaluation movements at WIAL's assumption of CPI. Forecast revaluations were included as income, consistent with prior pricing approaches and the IMs. No feedback was received on the CPI rate or forecasting method.

WIAL's CPI estimate was updated for the RPP and FPD based on the latest available information as at 1 January 2024.

Year ended	FY25	FY26	FY27	FY28	FY29
RBNZ	2.36	2.00	2.00	2.00	2.00
NZIER	2.50	2.10	2.10	-	-
Breakeven	2.79	1.88	1.69	1.67	1.49
Average %	**2.55**	**1.99**	**1.93**	**1.84**	**1.75**

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</table>

<table>
<tr><th>Determination Reference</th><th>WIAL Comment</th></tr>
<tr><td></td><td>

3. Extent to Which the Forecasts are Used to Determine the Total Revenue Requirement

Forecast revaluations for pricing assets are included in the forecast pricing asset base for schedule 18, which has been used to determine the total pricing revenue requirement for PSE5.

4. Differences between Preparation of the Forecast Revaluations Adopted for Price Consultation and Information Disclosure for the Year Ended 31 March 2023

The inclusion of indexed CPI revaluations in PSE5 forecasts is consistent with WIAL's actual previous approach, including the 2023 Information Disclosures in which such a revaluation was recognised.

</td></tr>
<tr><td>Clause 2.5(1)(c)(vii) Other Factors</td><td>There are no forecast other factors.</td></tr>
<tr><td>Clause 2.5(1)(d)-(e) Carry Forward Adjustments</td><td>

This section explains the rationale, appropriateness and calculation of the carry forward adjustments included in WIAL's PSE5 forecasts. Substantial customer views on each adjustment are also summarised.

Opening Carry Forward Adjustments

WIAL has included five opening carry forward adjustments in PSE5:

<table>
<tr><th>Opening Carry Forward Adjustments</th><th>Total Regulated Asset Base</th><th>Pricing Asset Base</th></tr>
<tr><td>1. Historic revaluation gain adjustment*</td><td>($6.485m)</td><td>($5.980m)</td></tr>
<tr><td>2. PSE4 revenue deferral*</td><td>$15.100m</td><td>$15.100m</td></tr>
<tr><td>3. PSE4 passenger volume risk share*</td><td>$35.856m</td><td>$35.856m</td></tr>
<tr><td>4. PSE4 capital expenditure wash-up</td><td>($9.789m)</td><td>($9.789m)</td></tr>
<tr><td>5. PSE5 opening MVAU revaluation gain adjustment</td><td>($42.836m)</td><td>($39.958m)</td></tr>
<tr><td>Net Total (applied as a reduction to opening investment value for PSE5)</td><td>($8.154m)</td><td>($4.771m)</td></tr>
</table>

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</table>

Determination Reference	*WIAL Comment*
	*Opening carry forward adjustment 1, 2 and 3 were consulted on with substantial customers and reviewed by the Commission as part of WIAL's previous price setting event (PSE4). ***1. Historic revaluation gain adjustment*** WIAL recognised a $9.2m opening carry forward adjustment in PSE4 to reflect a historic net land revaluation surplus since the commencement of the ID regime, to be unwound evenly over two price periods. Consistent with WIAL's PSE4 decisions, the remaining $5.980m balance is included as an opening carry forward adjustment for pricing activities in PSE5 and will be unwound evenly through to 31 March 2029. This has the effect of reducing pricing revenue requirements over the period. Further detail regarding this carry forward is included in WIAL's price setting event disclosures for PSE4 and the Commission's final report on their review of PSE4 (dated 28 September 2022). Note that the closing PSE4 / opening PSE5 carry forward balance of $5.980m differs from the $4.612m shown in WIAL's PSE4 disclosures. This reflects the correction of a minor calculation difference identified in the Commission's review of PSE4, whereby the balance was included in nominal rather than present value terms. ***2. PSE4 revenue deferral*** WIAL applied a concessionary price path in PSE4 to limit price increases for customers during the challenging Covid period for the aviation industry. The resulting shortfall versus WIAL's target return on pricing assets was included as a $15.1m closing carry forward adjustment for PSE4, such that the revenue was deferred for recovery in PSE5. This balance has been included as an opening carry forward adjustment for pricing activities in PSE5. This has the effect of increasing pricing revenue requirements over the 2025 – 2029 period. Further detail regarding this carry forward is included in WIAL's price setting event disclosures for PSE4 and the Commission's final report in their review of PSE4 (dated 28 September 2022). ***3. PSE4 passenger volume risk share*** Forecasting passenger numbers in the Covid-19 environment was exceptionally challenging and WIAL therefore included a wash up mechanism for PSE 4. This effectively meant that airports and airlines shared in demand-related risk over the pricing period.

Determination Reference	*WIAL Comment*

Actual demand for the pricing period has been below forecast and passenger numbers are yet to return to pre-Covid levels. Airlines benefited substantially during PSE4 from the relatively high passenger forecast used to set PSE4 charges. Based on actual passenger numbers, the average FY24 price would have been $2.44 per passenger higher than the amount charged.

The shortfall results in a wash-up amount that is applied to PSE5 prices. As proposed in PSE4 consultation and endorsed by the Commerce Commission, this has been included as a carry-forward amount of $35.9m into PSE5 and distributed across charges in PSE5.

The wash-up was calculated by:

- Subtracting actual passenger numbers for PSE4 from forecast passenger numbers to provide the demand shortfall. Note that the 2024 shortfall was based on 9 months actuals + 3 months projection.
- The demand shortfall was then reduced to reflect the impact of exempt passengers for which no charges are applied (average 1.35% of passengers)
- The demand shortfall was multiplied by an average charge per passenger based on WIAL's published prices for the period. The resulting post-tax earnings shortfall is $33.0m.
- The earnings shortfall has been adjusted to 31 March 2024 present value terms using WIAL's target PSE4 WACC of 5.93%. The standard revenue cashflow timing assumptions per the IM's were applied (being 148 days from year-end).

	2022	2023	2024	PSE4 Total
[A] Demand Shortfall (000s net passengers)				
Domestic PAX (Jet)	687	148	337	1,172
Domestic PAX (Prop 10+)	227	334	597	1,159
Domestic PAX (Prop 10-)	34	27	33	95
International PAX	239	192	256	687
Total PAX	**1,187**	**702**	**1,224**	**3,113**
[B] Average Charges				
Domestic PAX (Jet)	$14.47	$14.63	$15.19	
Domestic PAX (Prop 10+)	$11.03	$11.09	$11.26	
Domestic PAX (Prop 10-)	$10.72	$10.78	$10.95	
International	$20.54	$21.10	$22.27	
[A x B] Pre-Tax Revenue Washup ($m)				

Determination Reference	WIAL Comment

Domestic PAX (Jet)	$9,940	$2,161	$5,122	$17,223
Domestic PAX (Prop 10+)	$2,509	$3,707	$6,726	$12,942
Domestic PAX (Prop 10-)	$370	$295	$364	$1,029
International	$4,903	$4,061	$5,703	$14,666
Total Revenue	**$17,722**	**$10,224**	**$17,915**	**$45,860**
Post-Tax Earnings to Recover ($m)	**$12,760**	**$7,361**	**$12,899**	**$33,019**
31-Mar-24 PV @ PSE4 WACC (5.93%)	1.15	1.08	1.02	
Carry Forward Balance ($m)	**$14,662**	**$7,985**	**$13,209**	**$35,856**

Further detail regarding this carry forward is included in WIAL's price setting event disclosures for PSE4 and the Commission's final report in their review of PSE4 (dated 28 September 2022).

4. PSE4 capital expenditure wash-up

The impact of the pandemic and slower than anticipated recovery in passenger numbers over PSE4 resulted in less pressure on infrastructure and the ability to defer some of WIAL's PSE4 capital expenditure plans. This means airlines effectively funded capex for projects which did not occur:

Assets Commissioned	2020	2021	2022	2023	2024	Total
PSE4 Forecast	25,902	25,674	40,630	65,573	165,239	**323,017**
Actuals+2024 Reforecast	20,167	35,698	25,666	20,084	27,540	**129,155**
Variance	**(5,735)**	**10,024**	**(14,964)**	**(45,488)**	**(137,698)**	**(193,861)**

Recognising the unique circumstances of the pandemic-affected period, WIAL proposed a wash-up of unspent PSE4 capital expenditure.

The carry forward balance of $9.789m was calculated using the published schedule 18 IRR template for PSE4, as follows:

- Forecast assets commissioned were updated to reflect actuals + the 2024 reforecast as shown above.
- All other inputs to the IRR calculation were maintained.
- The forecast post-tax IRR for PSE4 increases from the targeted 5.88% to 6.19%.
- Inclusion of a $9.789m closing carry forward adjustment produces a forecast post IRR is 5.88%, aligning with the

Determination Reference	*WIAL Comment*

original PSE4 forecast outcome.

5. PSE5 opening MVAU revaluation gain adjustment

As described earlier in these disclosures, an MVAU valuation of land has been applied at the commencement of PSE5. In accordance with the IMs the resulting revaluation gain is treated as an opening carry forward adjustment. This has the effect of reducing pricing revenue requirements over the period.

The $40.0m carry forward adjustment for pricing activities was calculated as follows:

	Total Regulated Asset Base	Pricing Asset Base
Actual Land value – 2023 Information Disclosures	**$201.7m**	**$194.0m**
Add: Forecast indexed revaluation for 2024 (CPI 4.1%)	$8.3m	$7.9m
Forecast Land value – 2024 Information Disclosures	**$210.0m**	**$201.9m**
MVAU land valuation – 1 April 2024	$252.8m	$241.9m
Revaluation gain	**$42.8m**	**$40.0m**

Closing Carry Forward Adjustments

Two closing carry forward adjustments are included in PSE5 forecasts, being the WACC adjustment described above in the comments on clause 2.5(1)(c)(ii) "Forecast Cost of Capital", plus an adjustment to correct for a minor capex variance identified in the building block model following the implementation of new prices.

Closing Carry Forward Adjustments	Total Regulated Asset Base	Pricing Asset Base
1. PSE5 WACC carry forward	($38.447m)	($38.447m)
2. PSE5 forecast capital expenditure correction	$1.481m	$1.481m
Net Total (applied as an increase to closing investment value for PSE5)	**($36.966m)**	**($36.966m)**

Determination Reference	*WIAL Comment*
	3. PSE5 WACC carry forward The PSE5 pricing revenue has been based on the equity beta and leverage in the 2023 IM determination and WACC of 8.61%. Inclusion of the $38.4m WACC carry forward adjustment in schedule 19(i) results in a post-tax IRR of 9.35%, aligning with the WACC outcome sought by airports and submitted in its IMs appeal (that is, equity beta of 0.93 and leverage of 15%). When a final outcome is known, WIAL has confirmed a mechanism in consultation to recalculate the carry-forward amount with updates to equity beta and leverage in the WACC calculation. ***4. PSE5 forecast capital expenditure correction carry forward*** Following the implementation of PSE5 prices, WIAL identified a minor variance between capital expenditure forecasts and the building block model. The net impact is a $1.0m overstatement of capital expenditure in the pricing calculations. To correct this, WIAL has included a closing carry forward adjustment of $1.481m which realigns the forecast IRR with final pricing decisions. ***Allocation of carry forward adjustment to customers*** 5. WIAL considers that allocating carry-forward adjustments to consumers over a single pricing period (i.e. within PSE5 and no longer) is appropriate. This will best align recovery of the carry-forward amounts with the airline customers who consulted upon the carry-forward mechanisms in PSE4 (Air NZ, Qantas and BARNZ). The adjustments relate to the immediate prior period and pandemic-affected years, so recovery should be closely aligned with the airline customers who operated during that period. A longer recovery risks recovering from airlines who return to Wellington or commence flying from Wellington in future, and recovering from an altered proportion of airline customers. 6. The exception to this is the historic revaluation gain adjustment, which relates to a longer-term issue. It was agreed in PSE4 that this adjustment would be passed back to airlines over two pricing periods rather than one.

Determination Reference	*WIAL Comment*
	Substantial Customer Views on Carry Forward Adjustments BARNZ stated "The initial proposals factor in the impact of PSE4 deferrals and washups arising from decisions made in 2020 and 2021 in consultation with airlines. The approach proposed to these deferrals and washups seems reasonable." Air NZ stated "A key factor in determining the starting point price is the application of the wash-up mechanisms agreed when prices were set for PSE4 in 2021. Air NZ acknowledges the impact of these wash-ups on PSE5 allowable revenue and considers these have been appropriately applied in the pricing model. Wellington Airport is also proposing to wash-up unspent capex from PSE4 through a $9.8m opening carry-forward adjustment to the opening asset value. This adjustment is welcomed." Qantas did not provide feedback on the wash up mechanisms.
Clause 2.5(1)(f) Cash Flow Timing	WIAL has applied the default cash flow timing prescribed in the ID Determination.
Clause 2.5(1)(g) Forecast Post Tax IRR	Refer to comments and calculations above on clauses 2.5(a)(i) and (ii).
Clause 2.5(1)(h)-(i) Post Tax WACC	Refer to comments and calculations above on clauses 2.5(a)(i) and (ii), clause 2.5(1)(c)(ii).
Clause 2.5(1)(j) Valuation of Forecast Asset Base	The asset valuation methodologies adopted by WIAL for pricing purposes are consistent with the Commission's Asset Valuation IM. Comments on WIAL's methodologies are provided above in respect of clause 2.5(1)(c)(i). The most recent MVAU land valuation was applied by WIAL with effect from 1 April 2024, the commencement of PSE5. The report prepared by CBRE has been published alongside these price setting event disclosures and is available on WIAL's website at www.wellingtonairport.co.nz/business/investor-services/regulatory-disclosures/
Clause 2.5(1)(k) Assets Held for Future Use	There are no current charges for Assets Held for Future Use.

Determination Reference	*WIAL Comment*
Charges	
Clause 2.5(1)(l) Forecast Capital Expenditure by Category and Key Projects	***1. Consultation on Forecast Capital Expenditure*** Prior to developing the PSE5 capex forecast, WIAL spent several years working with airlines on its Masterplan, and taking into account airline feedback on specific projects. WIAL also met with airlines and BARNZ in July 2023 prior to issuing the IPP in order to provide a briefing on capital expenditure, and received a positive response. WIAL worked to defer projects and reduce costs where appropriate, particularly in response to the impact of Covid-19. This resulted in a reduction in PSE5 pricing capex from $594m in prior forecasts, to $384m in the IPP, and a further reduction to $380m over the course of consultation (all amounts in 31 March 2024 real terms). ***2. Substantial Customer Feedback*** WIAL was pleased to receive general statements of support from airlines for the proposed capital expenditure programme. BARNZ said: *We support the approach WIAL has taken to the proposed Capital Expenditure programme and acknowledge the steps taken to revise this considering the impact of Covid-19 – while still supporting longer term Master Plan intent. In this regard we applaud the airport for its decision-making in what is a complex environment.* *In particular we support the decision to defer the construction of the new terminal due to the impact of Covid-19 and the restrained passenger numbers now forecast, while still ensuring that existing congestion and service level concerns are addressed via interim terminal works.* Air NZ said: *The IPP capital plan essentially reflects the outcome of the Masterplan 2040 consulted on over 2019-20, albeit delayed by some 5-6 years given the impact of the pandemic on passenger volumes. Passenger numbers are forecast to reach 8 million passengers per annum in 2035, triggering the requirement for the redeveloped terminal and apron at the time.* *Air NZ is generally comfortable with the proposed capital plan, noting that this was essentially consulted on as part of the*

Determination Reference	*WIAL Comment*

PSE4 pricing consultation.

Qantas supported the majority of projects in principle, while noting this did not necessarily extend to agreement to cost or pricing impact. Qantas stated, "Affordability is a major concern with a substantial price hike this year, and we will need to overlay an affordability lens across the program through the consultation."

WIAL has been conscious of affordability throughout consultation and has referred to our efforts to achieve affordable outcomes throughout the IPP, RPP and FPD.

Airlines also asked for detailed future engagement on the Baggage Handling System, EMAS and seawall projects. WIAL has agreed to closely engage with airlines on these key projects as they develop.

3. WIAL's Forecast Capital Expenditure

WIAL's forecast capital expenditure cashflows are summarised as follows:

Forecast Capital Expenditure – 31 March 2024 Real Terms	**PSE5**	**PSE6**	**10yr Total**
Infrastructure/Capacity Growth	$301.9m	$442.8m	$744.7m
Operational/Replacement & Renewals	$78.0m	$47.1m	$125.1m
Total Capex – Pricing Asset Base	**$379.9m**	**$489.9m**	**$869.8m**
Aeronautical Lease Capex	$39.0m	$28.0m	$67.0m
Total Capex – Regulated Asset Base	**$418.9m**	**$517.9m**	**$936.8m**

Forecast Capital Expenditure – Nominal Terms	**PSE5**	**PSE6**	**10yr Total**
Infrastructure/Capacity Growth	$340.5m	$588.1m	$928.6m
Operational/Replacement & Renewals	$88.8m	$61.7m	$150.5m
Total Capex – Pricing Asset Base	**$429.3m**	**$649.8m**	**$1,079.1m**

Determination Reference	*WIAL Comment*

Aeronautical Lease Capex	$42.6m	$37.6m	$80.2m
Total Capex – Regulated Asset Base	**$471.9m**	**$687.3m**	**$1,159.3m**

Detailed comments on each of the key projects are provided in Appendix B including outlining the disclosure requirements required by clauses 2.5(1)(l) and (m).

Note that capital expenditure is only incorporated into the asset base upon commissioning and the amounts included in the internal rate of return calculations in schedules 18/19 (and therefore impacting pricing and return outcomes) differs from the cashflow tables above.

The value of assets actually forecast to be commissioned is summarised below, comprising mainly asset transfers and capitalisation of work in progress carried forward from PSE4:

Forecast Assets Commissioned Nominal Terms	**PSE5**	**PSE6**	**10yr Total**
Total – Pricing Asset Base	**$490.9m**	**$669.9m**	**$1,160.8m**
Total – Regulated Asset Base	**$558.9m**	**$707.5m**	**$1,266.4m**

4. Asset transfers

Where the underlying use of an asset changes between regulated and unregulated activities, the IMs require the asset to be transferred into or out of the regulated/pricing asset base.

For PSE5, WIAL has forecast the transfer of assets using the following approaches:

- Land assets transferred at MVEU;
- Non-land assets transferred at depreciated historic cost (using GAAP); and
- Future use assets transferred at excluded asset cost.

WIAL previously noted in PSE4 that where land is transferred from non-aeronautical to aeronautical use, it should be transferred into the RAB at its existing use value, rather than at MVAU as required by the current IMs. This is because its most valued alternative use is reflected in its existing use and adopting a reduction in value to MVAU provides a disincentive to invest.

Determination Reference	*WIAL Comment*

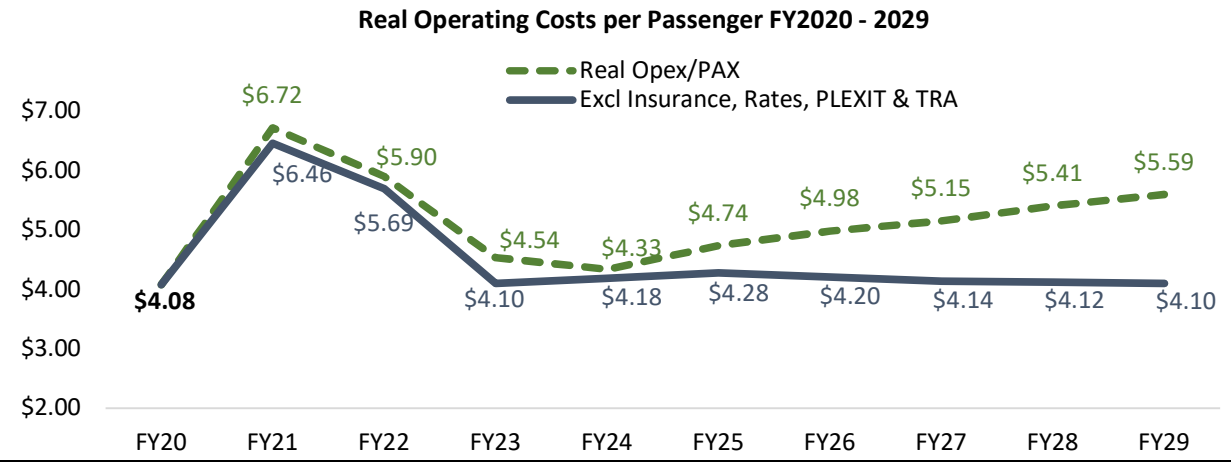
Requiring the value of assets to be written down upon transfer to the RAB could result in perverse outcomes where airports are incentivised to keep land assets in non aeronautical use, even when it would be more efficient and appropriate for that land to be incorporated to enable aeronautical growth. This is an important point of principle for WIAL given its small landholding and consequently the scarcity of land in the airport precinct.

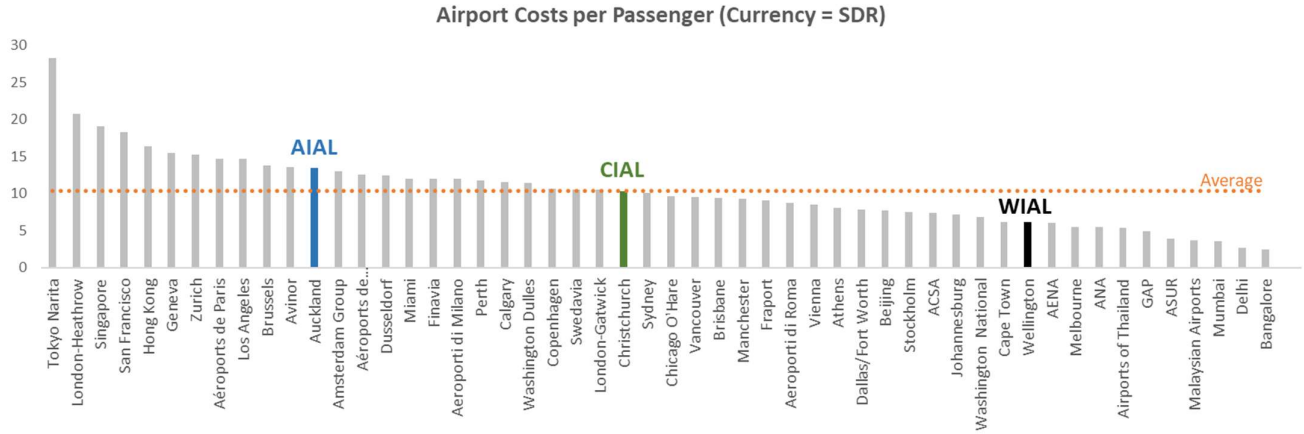
The forecast value of land transferred into the pricing asset base in PSE5 is $4.6m higher under MVEU compared with MVAU, and $7.0m higher for the total asset base.

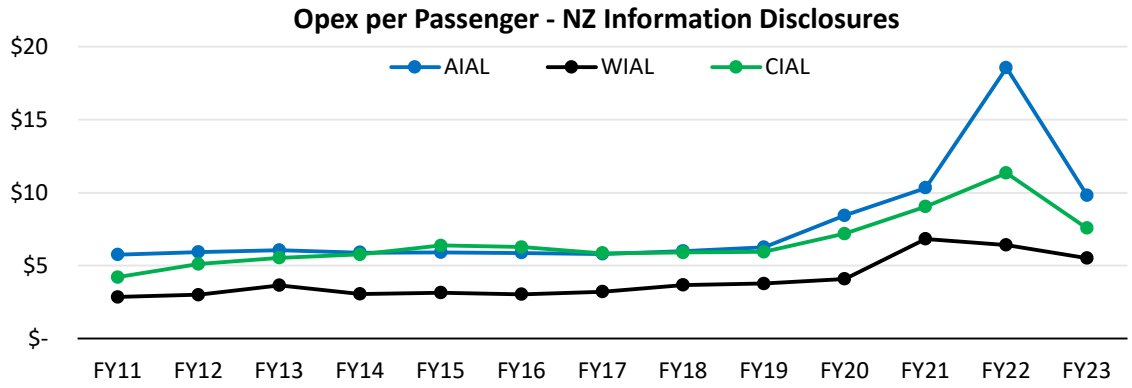
The table below summaries the transfers in the PSE5 period, which are driven by capital expenditure project requirements:

Relevant Project	Affected Areas	Assets Transferred	Regulated Activity	Transfer Timing	Allocated Value Transferred ($000)
AFS Relocation	Coutts St residentials & roadstop	Land	Airfield	FY26 - 27	$6,114
ECAC Std3 Bag Factory	Carpark/apron area East of MTB	Land	Specified Terminal	FY28	$3,366
Apron Development	Commercial/aero leased land, southern apron	Land	Airfield	FY27 - 29	$6,969
TC3 Check-In	Valet area of MTB	Building, civils & services	Specified Terminal	FY25	$3,383
Southern Seawall	Miramar Golf Club	Land	Airfield	FY26 - 29	$39,675
GSE	Southern apron	Land	Aircraft & Freight	FY25 - 26	$2,251
Flight Catering	Miramar South School & bordering residential properties	Land	Aircraft & Freight	FY26	$5,247
Logistics Hub	Southern apron and shared roading	Land	Aircraft & Freight	FY26	$4,068
Bus Lounge	Carpark North of Hotel	Land	Specified Terminal	FY26	$281
Total Pricing Asset Base					**$59,789**
Total Regulated Asset Base					**$71,355**

Determination Reference	*WIAL Comment*
Clause 2.5(1)(m) Future Key Capital Expenditure Projects	The key capital expenditure projects forecast for the Pricing Period are explained in detail in Appendix B.
Clause 2.5(1)(n) Assumptions or Justifications for Forecast Operational Expenditure by Category	***1. Justification of Operating Expenditure: Pricing Activities*** The PSE5 forecast approach remains consistent with PSE4 and applies the same cost allocation model WIAL uses for its annual information disclosures. WIAL considers that its PSE5 forecast is reasonable and demonstrates its commitment to operational efficiency whilst maintaining a high standard of airport facilities, with a commensurate high quality of service. **Assessment Approach** The Commerce Commission has previously commented in its s56G report for WIAL that operational efficiency can be evidenced in two ways. Namely by the maintenance of quality of service with a reduction in costs, or alternatively an increase in quality of service for no additional operating costs. WIAL considered the justification of its forecast expenditure by analysing the historic accuracy of forecasts, real cost changes over time, and by comparing costs and service quality with other airports. **Forecasting Accuracy** Comparing actual expenditure outcomes with previous forecasts demonstrates the historic reliability of WIAL's methodology and assumptions. Total operating expenditure spend for the 5 years of PSE3 was $2.0m / 2.0% above forecast and a similarly accurate outcome is projected for PSE4. **Expanding Infrastructure** In response to growing passenger numbers, WIAL has been required to expand terminal infrastructure and operations over time. Significant changes to WIAL's facilities in the past decade have included: • Expansion of the terminal with the new Rock terminal which opened in 2010; • Expansion of the baggage handling system and redesign of the apron layout to accommodate the introduction domestically of A320 aircraft by both Air NZ and Jetstar;

Determination Reference	*WIAL Comment*
	• Redevelopment of the international passenger arrival areas in the North Pier; and • Most significantly, extension of the main terminal to the south which was completed in PSE3. With a growing asset base there is generally also a corresponding increase in associated costs for maintenance, insurance and rates, cleaning, energy and other consumable costs driven by new infrastructure. **PSE5 Cost Savings** In responding to the impacts of Covid-19, WIAL achieved significant cost savings with a resizing of its business and staffing. These savings were passed through to airline customers during the PSE4 consultation. Despite the current challenging inflationary environment and recovery in passenger numbers, WIAL is committed to retaining these savings wherever possible and this is reflected in the PSE5 forecast assumptions. **Long-Term Cost Performance** Excluding the largely uncontrollable increases relating to Airport Fire Service (AFS) staffing, insurance, rates and PLEXIT, real operating costs per passenger are forecast to remain at pre-Covid levels ($4.10 in FY29 vs $4.08 in FY20). WIAL aims to continue this trend over the long-term with growing passenger numbers and offsetting efficiencies of scale. 

Determination Reference	*WIAL Comment*
	Comparison to Other Airports Consistent with previous reviews, it is also evident that WIAL's operating costs are low by comparison to other airports in both Australasia and worldwide. WIAL recognises that any analysis of charges needs to be treated with caution due to the impacts of factors, such as the differing mix of international and domestic passengers and the nature of services provided. For instance, in Australia security and baggage handling services are typically undertaken by the airports, whereas in New Zealand these are undertaken by Government agencies and the airlines respectively. By contrast, in New Zealand airports employ the fire crew, whilst in Australia this is not the case. Notwithstanding these considerations, WIAL notes that its costs compare extremely favourably to other airports. Jacobs UK (formerly Leigh Fisher) research compares total costs per passenger at a large sample of airports around the world. Consistent with prior iterations of this report, WIAL's operating costs for the 2021 financial year are amongst the lowest when compared to this sample and are the lowest for a main airport in NZ:  *Note: CIAL and WIAL do not participate in this survey. The outcomes for these airports have been calculated on the same basis as the calculation for AIAL.* The information disclosures also show's WIAL's costs have consistently been the lowest within NZ, where each of the airports have the same statutory responsibilities.

Determination Reference	*WIAL Comment*
	 *Note: In the above chart Auckland Airport's 2020 costs have been adjusted to exclude $69.6m project write-offs.* **Service Quality** Importantly, WIAL's cost efficiency has been achieved while maintaining a high level of service quality, as evidenced by consistently high customer survey scores. Refer to clause 2.5(3)(b)(ii) for further comments. ***2. Justification of Operating Expenditure: Leased Aeronautical Facilities*** These costs comprise expenses incurred by WIAL to administer and maintain premises leased to airlines and other parties for the provision of specified airport services. The costs are not recovered through the aeronautical pricing mechanism and rental revenues are established through commercial negotiation with tenants. ***3. Justification of Operating Expenditure: Noise Mitigation Activities*** These costs have been consulted upon with airlines since the inception of LUMINS. The Wellington City Council District Plan requires Wellington Airport to manage its noise levels responsibly to limit the impact on its surrounding community.
Clause 2.5(1)(o) Total Financial	Refer to comments on clause 2.5(3)(a) Summary of Pricing Methodology for Price Setting Event.

Determination Reference	*WIAL Comment*
Incentives	
Clause 2.5(1)(p) Non Standard Depreciation	PSE5 forecasts are based on a standard depreciation approach for all assets, other than the residual impact of asset lives being amended on certain buildings in PSE4. As noted in WIAL's PSE4 disclosures, the annual impact of this change was forecast to be $1.2m.
Clause 2.5(1)(q) Standard Depreciation	WIAL's standard approach for all other assets (other than those noted above) is as follows. **For Existing Assets** WIAL has calculated forecast depreciation for each year of PSE5 using the RAB file for its 2023 annual information disclosures. Depreciation for each asset has been calculated in the manner required by the Commission's asset valuation IM with standard depreciation assumptions for each asset consistent with those used for WIAL's annual disclosures. **For Capital Additions** Assets are depreciated from the date assets are forecast to be commissioned. Depreciation for new assets is calculated in the building block model and determined from: • WIAL's capital expenditure forecast which provides details of the types of assets (e.g. civil works, buildings, plant and equipment) that are to be commissioned and expected timing for project completions; • WIAL's assessment of appropriate depreciation rates for each project. Depreciation rates applied by WIAL to asset additions are summarized earlier in these disclosures, under the section Clause 2.5(1)(c)(iv).
Clause 2.5(1)(r) Forecast Revaluations	Refer to Schedules 18 and 19.
Clause 2.5(1)(s) Forecast CPI	Refer to Schedules 18 and 19. Comments on WIAL's approach to determining a CPI forecast for PSE5 is detailed in the comments above on clause 2.5(1)(c)(vi).

<table>
<tr><th>Determination Reference</th><th>WIAL Comment</th></tr>
<tr><td>Clause 2.5(1)(t) Alternative Methodology with Equivalent Effect</td><td>WIAL's valuation methodologies are consistent with the IM, and consequently this clause is not applicable to WIAL.</td></tr>
<tr><td>Clause 2.5(1)(u) Services not Included in Price Setting Event</td><td>
1. Description of the Service
WIAL leases land and facilities to airlines and other parties providing services that are incorporated in the definition of specified airport services. WIAL negotiates rental agreements with individual tenants and the revenues and costs for leased property are excluded from the price setting event to set aeronautical charges.

2. Forecast Revenue
<table>
<tr><th>$000</th><th>2025</th><th>2026</th><th>2027</th><th>2028</th><th>2029</th></tr>
<tr><td>Annual Revenue - Leased Assets</td><td>6,578</td><td>7,855</td><td>9,173</td><td>9,361</td><td>9,550</td></tr>
</table>
3. Reference to Any Price Setting Event that the Service has been Applicable
Negotiation of commercial lease terms is undertaken individually with the property tenants. WIAL has forecast rentals for a range of commercial tenants with some of these having multiple tenancies.

The timing of the negotiations for individual leases is determined by the terms of the lease arrangements.
</td></tr>
<tr><td>Clause 2.5(2) WACC Percentile Equivalents</td><td>Disclosed in schedule 18(v).</td></tr>
</table>

Clause 2.5(3)(a) Summary of Pricing Methodology for Price Setting Event	***1. Determination of Required Revenue*** WIAL applied the building block methodology to establish the pricing revenue required to achieve WIAL's target return. A summary of the outcomes from WIAL's building block model, presented in the regulated ID format illustrating IRR outcomes, for the Pricing Period is shown in the comments in respect of clause 2.5(1)(a)(i) above. The assumptions applied by WIAL in determining its building block components, are detailed in the information required by clause 2.5(1)(c) above. ***2. Pricing Methodology for Airfield and Specified Terminal Activities*** The pricing methodology for PSE5 is broadly consistent with that adopted in PSE4 and has considered previous feedback from the Commission, and views from airlines based on discussions throughout the current pricing period. The components of the price structure are described below. <u>Price Structure Simplification</u> Based on previous airline feedback, the price structure was simplified in PSE4 by converting airfield and terminal charges into a per passenger charge. This approach was consulted on and maintained in PSE5. <u>Exempt Passengers</u> The price structure exempts infants (under 2 years old), transit passengers (those travelling on the same aircraft without leaving the lounge), positioning crew, and diverted international passengers (not processed by customs). The volume of exempts totals around 2.0% of the domestic and 1.7% of all international passengers; the PSE5 forecasts assume these proportions remain unchanged. <u>Transfer Passengers</u> WIAL was interested in airline views of the merits of incorporating discounts or exemptions for transfer passengers. Currently, passengers transferring at an airport incur two sets of charges for passing through the facility, which is not their intended origin or destination. Providing a lower charge for transfers can provide more choice for passengers, a more efficient hub operation for airlines which in turn reduces their costs, and encourages more efficient use of the airport facilities. Through consultation only one airline provided feedback which was supportive of the introduction of transfer discounts.

Determination Reference	*WIAL Comment*
	Transfer discounts have been adopted in PSE5. To avoid price shocks for airlines that do not have a significant proportion of transfer passengers the discount is phased in over PSE5 starting at 5% in FY25, increasing by 5% annually, to reach 25% in FY29. It is anticipated that this phasing in will continue over PSE6 to ultimately reach 50% in FY34. The discount applies to both legs of the journey for passengers connecting to a different destination to their origin within a 24-hour period. Transfer passengers are forecast to comprise approximately 14% of the airports traffic with the proportion remaining constant across the pricing period. <u>Peak Pricing</u> The introduction of peak pricing has supported a reduction in movements during the peak (to the shoulder) and an upgauging of aircraft, resulting in more efficient use of the runway. In the past, the Commence Commission in their review of Wellington Airport's pricing was notably supportive of the peak pricing mechanism. WIAL has retained the current charging structure for peak pricing. The definition of the peak period remains 07:45-08:45 and 18:15-19:15 weekdays, with a shoulder period applying 30 minutes either side of the peak. The charge is fixed throughout PSE5 at $20.00 during the peak and $10.00 during the shoulder. With no relative increase in peak pricing proposed, the forecast assumes the current proportions of peak, shoulder and off peak flying remain unchanged over PSE5. For unscheduled movements, the peak charge is equal to a MCTOW charge consistent with a scheduled aircraft of the same MCTOW (assuming 80% load factor), while general aviation (aircraft less than two tonnes) faces a higher fixed charge. <u>Parking</u> WIAL has retained the PSE4 parking charge methodology in PSE5 with charges increasing by CPI. Free parking is available during off-peak and when airlines operate reasonable turn times (60 mins for domestic, 120 mins for international/unscheduled), encouraging the efficient use of apron space during the peak (06:00-10:00 and 16:00-20:00 weekdays). Charges per (part) hour were set based on FY24 values escalated by CPI over PSE5.

	Incentives for Sustainable Aircraft and Fuels Airlines were asked for feedback on potential price structures that could support/encourage the early adoption of more sustainable aircraft and fuels. No feedback was received from airlines, and so WIAL proposed, in the RPP, a 100% rebate for electric/hybrid/hydrogen aircraft during PSE5. One airline provided feedback in support of the rebate introduction. PSE5 adopted the 100% rebate. The forecasts assume the introduction of electric/hybrid scheduled passenger movements from FY28. Unscheduled Charges Unscheduled airfield charges are based on a MCTOW per tonne charge that is equivalent to the airfield charges for a similar weight scheduled aircraft assuming an 80% load factor. For unscheduled aircraft with MCTOW greater than 100 tonnes, the charge for tonnage over 100 tonnes is charged at 10% of the standard charge reflecting limitations Wellington Airports runway places on large aircraft ability to operate at maximum weights. This methodology was previously included in PSE3 prior to the move to the simplified per passenger structure for scheduled aircraft. The airfield charges component includes an upweight for peak/shoulder flying and is disaggregated into an international and three domestic weight bands. General aviation (aircraft less than two tonnes) is charged a fixed movement charge grown at CPI, with a higher charge during the peak. Growth Incentives Given the possible material and uncertain impact of Covid-19 on domestic and international passenger volumes and the resulting passenger wash up adjustment, the published growth incentive programme was temporarily suspended during PSE4. WIAL consulted on the reintroduction of published growth incentives as part of PSE5, with BARNZ supporting their reintroduction and an airline providing feedback on the proposed structure of the domestic incentive. Incentives remain an important mechanism to WIAL to try to stimulate airline and airport growth. Based on feedback, growth incentives have been re-introduced in PSE5 for domestic and international passengers. The incentive structure is identical to that in PSE3 however the discounts applied to domestic growth have been reduced to recognize the current suppressed domestic travel market primarily as a result of Air New Zealand's P&W engine issues, and the wish to avoid significant price shocks for non-growing airlines while the recovery continues. The domestic incentive provides a 25% discount (was 50% in PSE4) for incremental passengers carried over the year prior, and a further 10% (was 25% in PSE4) if those traffic levels are maintained in the subsequent year. The international incentive structure and discounts are the same as in PSE3; ranging from 50%, 25% (year 1, 2)

Determination Reference	*WIAL Comment*
	discounts for new capacity on existing international routes to 100%, 100%, 100% (year 1, 2, 3) for a new long haul route. <u>Pricing Methodology for Noise Mitigation Activity</u> WIAL has established a separate company, WANT Limited, to administer WIAL's noise mitigation obligations. Charges are set to achieve NPV=0 over the life of the programme.
Clause 2.5(3)(b)(i) Description of Charged Services	WIAL's charges for scheduled airline operators apply to all relevant services to airlines and passengers. The list of services provided is set out below. • <u>Airfield services</u> o Runway and taxiways including all entrances and exits. o Aprons including parking stands and aircraft manoeuvring areas. o Airport fire services. o Airside safety services. o Asset management of airfield services including planning and repairs and maintenance. • <u>Terminal services</u> o Check-in hall. o Landside areas for passengers and visitors. o Secure airside areas for passengers following security screening and gate lounges for passengers not requiring security screening. o Egresses throughout terminal for arriving and departing passengers. o Baggage collection area and facilities for airlines and Aviation Security Service (Avsec) to process baggage. o Terminal systems required for processing or administration of passengers including security, flight display system, public address system, building fire system, closed circuit television system and communication systems. o Non-leased facilities required by for the operation of border control services for international passengers. o Non-leased facilities required for the operation of security and police services. o All building infrastructure to provide passenger utility and comfort including washroom facilities, heating and air conditioning, electricity, and lighting. o Operations staffing and management to facilitate effective daily operation of the terminal building and

Determination Reference	*WIAL Comment*
	interaction with airlines. ○ Asset management of terminal services including planning and repairs and maintenance. • <u>Air bridge services (for jet aircraft only)</u> ○ Use of air bridges for departing and arriving passengers. ○ Asset management of air bridge services including planning and repairs and maintenance. • <u>Corporate costs</u> ○ Company overheads allocated to other activities for corporate functions including executive management, finance, human resources, information technology, property management and marketing and communications. ○ Company management overhead costs such as directors' fees, non-activity attributable insurances and office administration costs. • <u>Noise mitigation activity</u> ○ Specific noise management obligations to be met following the Environment Court proceedings in 1997 and subsequent LUMINS study and consultation undertaken with the airlines, WCC and residents. ○ Charges to aircraft operators that do not provide scheduled passenger services are for the airfield services and noise mitigation activity detailed above together with a share of allocated corporate costs.
Clause 2.5(3)(b)(ii) Relationship between Quality of Service and Cost for Each Charged Service	The revenue requirements calculated by the building block model have been used to set prices for PSE5, representing a fair return to WIAL for the provision of the charged services. WIAL maintains a high level of service quality, as evidenced by consistently high customer survey scores. WIAL's Airport Service Quality scores for both domestic and international services have averaged above 4 (out of 5) since the ID regime began. Over the 13-years of its Annual Information Disclosures, WIAL has reported a total of 132 on-time departure interruptions averaging 27.1 minutes in duration. Of these, only 65 were attributed as being caused by the airport. Given that WIAL has had over 513,000 aircraft departures in that period, this is a strong indicator that the airport provides reliable assets and services.

Determination Reference	*WIAL Comment*
Clause 2.5(3)(b)(iii) Methodology Used to Allocate Costs to Particular Charged Services	A description of WIAL's asset and cost allocation processes are provided in the comments regarding clauses 2.5(1)(c)(i) and 2.5(1)(c)(iii).
Clause 2.5(3)(b)(iv) Significant Changes to, or Rebalancing of Prices from the Previous Pricing Period	Refer to comments on clause 2.5(3)(a) "Summary of Pricing Methodology for Price Setting Event". The pricing methodology/structure for PSE5 is broadly consistent with that adopted in PSE4.
Clause 2.5(3)(b)(v) Methodology for Determining Pricing for Charged Services and How These Were Reconciled With the Forecast Revenue Requirement	***1. Charges Excluding Noise Mitigation Activity*** The forecast revenue requirement for pricing activities was determined using the building block model described earlier in these disclosures, and the outcome is provided in schedule 19. A schedule of charges was then developed based on forecast demand to achieve the revenue requirement. Refer to comments on clause 2.5(3)(a) "Summary of Pricing Methodology for Price Setting Event". ***2. Charges for Noise Mitigation Activity*** Charges for the noise mitigation activities were determined from a separate building block calculation in order to establish charges to achieve NPV=0 for the project. Charges were established as follows: o From 1 April 2024 to 31 March 2029 – a charge of 34c per passenger (increase of 2c per passenger from current levels). The level of this charge is the sum required to result in WIAL achieving an NPV=0 outcome over the duration of the noise mitigation project.

Determination Reference	*WIAL Comment*
	3. Charges for operators of aircraft not carrying passengers or using terminal facilities: Fixed charges were determined to apply over the Pricing Period in three aircraft weight categories; aircraft less than 2 tonne, aircraft between 2 and 30 tonne and aircraft over 30 tonne. The charges were determined to be equivalent with those payable by airlines operating scheduled passenger services, thus ensuring that the pricing reconciles to the revenue required.
Clause 2.5(3)(b)(vi) Terminal Access Charges	WIAL has no separate terminal access charges for the Pricing Period. WIAL's airfield and specified terminal charges are inclusive of the terminal access services and facilities provided by WIAL.
Clause 2.5(3)(c) Explanation of the Extent to Which WIAL Considers the Airport Pricing Methodology Will Lead to Efficient Prices including whether there are any Cross Subsidies	***1. Cross Subsidies*** Cross subsidies arise where a service is priced below marginal cost. Given the high fixed costs and low marginal costs of WIAL's aeronautical business, WIAL considers that it is unlikely that material cross subsidies arise despite the price structure for the Pricing Period not necessarily reflecting the costs associated with each individual activity. Over time, WIAL has responded to airline feedback seeking the simplification of its price structure. The congestion charge element has been retained as: ✈ The allocation of scarce capacity to those who value it most and (care of the NPV=0 rebalancing) lower off-peak charges for airport users likely to be more price sensitive. ✈ Collecting a greater proportion of fixed costs from services that are less price-sensitive assists overall efficiency by lowering any distortion of demand.
Clause 2.5(4) Standard Prices	WIAL's Schedule of Charges for the Pricing Period is attached at Appendix C.

APPENDIX A - Cost Allocation Summary

Cost centre	Cost centre activity	Cost allocation approach/driver
Hangar #12	Property for aircraft and freight services	Aircraft and freight direct costs
Hangar #18	Property for aircraft and freight services	Aircraft and freight direct costs
Executive Jet Hangar	Property for aircraft and freight services	Aircraft and freight direct costs
Western Other	Property with mixed tenancies	Use of shared rental revenues as causal allocator
Hangar #23	Property for aircraft and freight services	Aircraft and freight direct costs
Houses	Residential properties purchased by WIAL	Use of rental revenues as causal allocator
Terminal	Terminal buildings, including all passenger facilities	Use of share of terminal net book value as causal allocator
Fire Station	Building accommodating airport fire service	Airfield direct cost
AGS	Property with mixed tenancies	Use of shared rental revenues as causal allocator
Eastern Other	Properties with mixed tenancies	Use of share of rental revenues as causal allocator
Infrastructure Project Delivery	External costs to maintain WIAL's civil works infrastructure	Airfield direct cost
Airport Operations	Staff and associated facilities costs for staff administering airside safety and terminal facilitation	Estimate of time allocated to aeronautical and non-aeronautical activities as causal allocator
Airport Fire Service	Airport fire service staff and costs	Airfield direct cost
Noise Mitigation	Costs associated with managing WIAL's air noise obligations	Airfield direct cost
Maintenance	Maintenance staff and associated facilities	Share of maintenance expenditure incurred on maintaining facilities as proxy allocator

Cost centre	Cost centre activity	Cost allocation approach/driver
Corporate Property	Staff and associated facilities costs for staff administering property lease portfolio	Estimate of time allocated to aeronautical and non-aeronautical activities as causal allocator
Marketing	Staff, associated costs, and marketing, airline development and external relations costs	Initial identification of direct costs for each area with shared costs allocated in proportion to estimate of time allocated to aeronautical and non-aeronautical activities as causal allocator
Corporate salaries	Corporate office staff and associated costs for company management functions including HR, finance and IT	Estimate of time and costs allocated to aeronautical and non-aeronautical activities as proxy allocator
Consultation and regulation costs	Costs associated with Airport Authorities Act consultation and Commerce Act ID regime	Allocated to regulated activities based on the proportion of total regulated revenue forecast for each activity
Corporate administration costs	Corporate overheads (eg director's fees, audit fees) and administration costs.	Share of all other expenditure allocated to aeronautical and non-aeronautical activities as proxy allocator

APPENDIX B - Commentary for Key Capital Expenditure Projects (PSE5 and PSE6)

INTRODUCTION

This document provides further detail of the major capital expenditure projects that are included in WIAL's proposed capital expenditure forecast for PSE5 and PSE6.

Only projects commissioned during PSE5 will affect the pricing that is subject to this consultation, however as some capital expenditure is proposed to commence in PSE5 for projects that will be commissioned in PSE6, WIAL has also included details of these projects below.

Key Documents and Advice

In the project commentary provided below we also refer to a variety of documents that WIAL has used to inform its planning and consultation processes. These documents demonstrate the extensive material prepared by WIAL, received by WIAL from technical experts or referred to by WIAL in respect of regulatory requirements. The material prepared by WIAL is for public consultation and information, while other technical documents or advice has been used to inform discussions with airlines.

Document	**Description**
CAR139	Civil Aviation Rule Part 139 - Aerodromes – Certification, Operation and Use
IATA Airport Development Reference Manual,Edition 11	Airport Development Reference Manual – International Air Transport Association
Airport Service Quality Surveys	Airport surveys conducted by ASQ, benchmarking Wellington Airport against peers in Australia and NZ.
Intervistas report	Passenger and aircraft movement forecast
Airbiz report	Capital Works Programme, Capacity, Level of Service and Compatibility assessment: Airbiz report May 2023
Xplane report	Report issued by Xplane to WIAL outlining key issues with WIAL's current BHS system, and providing a roadmap for implementation of a new system. Updated May 2023
CAA letter 02 October 2020	Revised letter deferring the required rollout of CT screening equipment required to meet ECAC Std3
CAR139.59-67A	CAA rules relating to Aircraft Rescue and Firefighting
Memorandum – Airport Fire Service Site Evaluation	Beca Multi Criteria Analysis of AFS site options
NZ Building Code – clause A3	Documents Building Importance Level requirements
Draft Taxiway Utilisation study	Report by Beca assessing the current capacity of the core parallel taxiway system, and identifying when WIAL should plan for a taxiway system upgrade
Draft trunk utilities Master Plan	Report by Beca evaluating the existing and future trunk utilities capability to accommodate ongoing development at WIAL and assessing potential trunk utility alignment changes and future safeguarding options.
NSHM 2022	NZ National Seismic Hazard Model 2022
2022 AECOM Annual Pavement Inspection and Pavement Condition Index: Factual Report	Report compiled following detailed engineering inspection of airfield in late 2022
NZ Coastal Policy Statement (s27)	The purpose of the New Zealand Coastal Policy Statement (NZCPS) is to state policies in order to achieve the purpose of the Resource Management Act in relation to the coastal environment of New Zealand.
RMA 1991 – sections 6 and 7	Sections outlining Matters of National Importance (s6), and Other Matters (s7)
Beca report – Wellington Airport, Seawall Repairs and Maintenance.	Report on condition, and asset management strategy recommendations on seawall assets
Draft Aecom Peer review and report	Peer review report on Beca report – Wellington Airport, Seawalls Repairs and Maintenance.
Draft Airfield Mastergrading Study	Report by Beca assessing apron grading and 3D development staging requirements, balancing airfield compliance, stormwater management, and earthworks volume efficiencies
2040 Masterplan	Wellington Airport 2040 Masterplan released in October 2019.

PART A - KEY LONG TERM GROWTH AND RESILIENCE PROJECTS

The forecast spend for capital expenditure during the indicated pricing periods is stated in 31 March 2023 real terms. Indexing to nominal dollars is undertaken in the building block model which is provided to airlines during the pricing consultation.

Airport Fire Station relocation

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
AFS Relocation	$30.9m	-	$40.1m

Note – total also includes PSE4 spend

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Construction of a new Airport Fire Station (AFS) on a new site on the Western Apron (Coutts St.), and demolition of the existing AFS building to allow for future airfield geometry improvements and additional remote aircraft stands.	
Aims and objectives	To provide a resilient, efficient and expandable facility to meet regulatory and modern building code requirements for the provision of Airport Rescue and Firefighting Services, whilst also allowing airfield geometry and capacity to be improved.	CAR139.59-67A NZ Building Code
Process by which need for the expenditure was determined	The existing AFS is at end of life, no longer fit for purpose and its location is not consistent with the 2040 Master Plan or efficient operations. The AFS was constructed in the late 1950s to service the new Rongotai Airport, and the building has been altered and extended numerous times (1972, 1986, 1999, 2007) over the years. In 2007 the building was strengthened from earthquake prone to 67% of the New Building Standard (NBS) Importance Level 2 (IL2). This is the minimum standard recommended by the NZ Society of Earthquake Engineers. However, under the NZ Building Code new Fire Stations are required to be designed to 100% of IL4 to ensure an adequate level of resilience for emergency facilities. The condition, layout and amenity of the building is generally poor, it is lacking in acoustic and thermal insulation and its site orientation means that it is subject to aircraft fumes when RWY 16 is in operation. Overall, it provides a sub-optimal work environment. The location of the existing AFS is constrained by operational requirements (wing tip clearance and the Obstacle Limitation Surface (OLS)), and consequently it is not easy or efficient for the building to be extended to meet future requirements. Its location prevents the efficient full utilisation of Taxilane Papa. This project therefore replaces the existing end-of-life, inefficient, and ill-situated building with a modern and resilient fire station, which will be sited to align with the 2040 Masterplan, and improve the utilisation of the available and underutilised Western Apron land. Upon completion of the project, demolition of the existing AFS will allow for interim aircraft parking and GSE storage, and long-term taxiway realignment in line with the 2040 Masterplan.	Beca Multi Criteria Analysis of site options NZ Building Code – clause A3 Draft Taxiway Utilisation study
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	The construction of a new AFS was first included in WIAL's PSE2 disclosures to the Commerce Commission, for construction in 2016. The project was delayed until the 2040 Masterplan could be further developed, and a suitable long-term site could be identified. WIAL engaged with its stakeholders on the AFS replacement during consultation on the 2040 Masterplan, and for PSE4. Responses from the initial consultation included: a. "The proposal to relocate fire services, cargo, Avsec and catering facilities seem reasonable" - BARNZ representing Fiji Airways, Singapore Airlines and Virgin Australia. b. QF/JQ made no comment regarding the AFS relocation but wanted to see business cases for all works. c. "The relocation of Avis, LSG (flight kitchen) and JUHI is supported" – Air New Zealand. (Noting that the relocation of AFS is integral to relocating JUHI). The relocation of the AFS was included in WIAL's FPD for PSE4. Design commenced in 2019 however the project was placed on hold due to the impacts of the Covid pandemic, and did not re-commence until 2022. Commissioning is planned for early FY26.	
Any alternative projects considered and the rationale for excluding the alternatives	The size and general layout of the station are dictated by civil aviation rules as far as number of frontline fire tenders, staff and marine response capability, and the building has been designed and will be built in keeping with those requirements. The location for the new AFS has been selected based on a detailed Multi Criteria Analysis (MCA). The MCA process considered six potential sites, and evaluated them against economic and operational attributes, to arrive at the currently proposed site on Coutts St.	Beca Multi Criteria Analysis of site options
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively airfield activity costs with the forecast expenditure for the next five years included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	Once the preferred site was identified, constraints included the purchase of land from WCC, removal of adjacent aviation refuelling infrastructure, and obtaining required consents. These constraints were addressed during PSE4. There are no remaining constraints.	

Marine Defences Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Southern Seawall	$35m	$75m	$110m
Marine Asset Management Plan Capex	$10m	$5m	$15m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	The ongoing maintenance and strengthening of all marine protection structures to ensure the integrity of the airfield platform and instrument landing systems are preserved. This includes providing increased resilience against seismic events, future climate change, sea level rise, and the increasing frequency and intensity of storms. The Programme includes $15m across PSE5 and PSE6 for planned preventative and reactive works arising from deterioration of the structures due to storms and wave action and allowing for increased maintenance works and larger stockpiles to mitigate risk, as the assets approach the end of their life. The most significant piece of work in the programme is the complete replacement of the marine defences which was previously planned to commence towards the end of PSE5 but has been deferred to progressively occur across PSE6 and beyond.	
Aims and objectives	The aim of the programme is to ensure continued operational resilience, safety, security, regularity and efficiency through compliance with CAA regulations; and to meet WIAL's obligations under the Resource Management Act and its memorandum of understanding with Wellington City Council, on the maintenance of seawalls. Lyall Bay faces south towards the Southern Ocean and is consequently exposed to large waves from southerly storms, especially during the winter. In order to protect Wellington Airport's runway and flight operations, wave protection seawalls and a breakwater were constructed starting in 1954. From that date various extensions, improvements and maintenance works have been carried out. These proposed works are a continuation of this work regime, taking into account updated wave data and climate predictions.	CAR139.103 RMA 1991 – sections 6 and 7 NZ Coastal Policy Statement (s27)
Process by which need for the expenditure was determined	WIAL's Marine Defences are inspected regularly by WIAL staff and external consultant engineers to determine the requirement for repair or replacement. Reports are prepared annually by the engineers, which determine the upcoming works required. Beca have provided engineering advice on WIAL's marine defence structures since 1994. This includes a series of ten reports on maintenance recommendations and asset life, the most recent being May 2023. Beca's November 2016 report reinforced earlier advice that the marine defences were approaching the end of their life and replacement planning should commence. As a consequence of Beca's report, (and due to the significant value and importance of these structures), WIAL engaged AECOM in 2017 to undertake a peer review of these previous reports on the Southern Seawall and Breakwater. Specifically, WIAL required AECOM to review earlier reports by Beca on the maintenance and projected life of the marine defence assets. This review would also include an assessment of the original akmon design, wave reports and assess the remaining life. This work completed a gap analysis between the original design conditions and requirements and those of today (e.g., design improvements, industry best practice improvements, latest wave recordings, climate change - sea level rise and storm intensity, resistance to earthquakes, the requirements of the NZ Building Act and RMA). AECOM's peer review determined that: a) The Southern Seawall and Breakwater are under-designed and that this was "not surprising based on design approach at the time and the information available on wave height and length". b) The original design wave adopted was 5.2 metres. Advances in design, allowance for climate change and better wave measurement data dictate that a 7.4 metre (lower bound) design wave be adopted for future replacement work. c) The original 10 tonne tetrapod and 12 tonne akmon multi-layered design used for the main defence structures is inadequate and allowed too much movement and wear. To compensate for the under-design, the inspection and maintenance regime adopted to date is higher than would be normal for a modern structure. d) Continuing with the existing maintenance regime is a short-term risk to be managed until planned replacement. e) Indications are that a significant earthquake would see lateral movement but not a catastrophic failure of the Southern Seawall and Breakwater. f) AECOM concurred with Beca on the remaining life of WIAL's marine defence structures. BECA were subsequently further engaged to consider options for seawall replacement and maintenance strategies and to manage risk until the existing seawalls are replaced, with resilient structures that meet modern design requirements. The work to date has included early contractor involvement on constructability and also a peer review of design assumptions by Tonkin + Taylor. Beca's peer reviewed recommendations form the basis for the proposed works over the PSE5 and PSE6 periods. Beca's Sea Defence Structures Inspection report May 2023 informs the programme of works by considering the current condition and risk -	Beca WIAL Marine Assets Inspection and maintenance report - 2016. Aecom 2017 Peer review and report. Beca WIAL Marine Assets Inspection report - 2021 Beca Sea Defence, Structures Review End Report 2023 DRAFT Tonkin + Taylor Sea Defence Structure peer review 2023 Early contractor workshop on constructability 2023 Risk workshop 2023 Beca WIAL Sea Defence Structures Inspection report May 2023

	"In summary, it is recommended that the sea defence renewals project be completed within the next approximately ten years. Preferably, the renewal project is completed within the next 5 years. However, if necessary, the life of the sea defences could be extended for up to approximately 10 years with increased inspection and maintenance effort, noting the increasing risk of storm damage (e.g. akmon breakage and displacement) and failure of individual elements (e.g. Southern Seawall internal gabion/reno mattress ties; Western Seawall steel sheetpile) over that time as the assets continue to age and deteriorate. The programme for the renewal works is subject to further refinement (i.e. advancement or deferral) based on the actual deterioration of the defences and future storm damage as identified by the ongoing inspections and monitoring." While we have adopted the extended time frame (of 10 years to complete the seawall works) for this pricing period, we note that there is the potential that storm damage may require the advancement of works; in the event of this occurring then we propose that an SPC is used as a mechanism to cover the additional works.	
Any consumer engagement undertaken as part of processand how consumer demands have been assessed	This project is a major civil engineering undertaking; the planning, consultation with stakeholders, investigation, design, consent approval and construction will span a number of pricing periods. WIAL initially consulted with airline customers on the proposed expenditure by providing an overview of the project to airline customers as part of the draft 2040 Masterplan consultation. These occurred with Jetstar on 13 August 2019 and Air New Zealand and BARNZ on 15 August 2019. The proposed works were also included in the capital expenditure consultation and forecast for PSE4 and PSE5. Consultation on these works will continue for the PSE5 and PSE6 (and possibly PSE7) periods.	
Any alternative projects considered and the rationale forexcluding the alternatives	An alternative to the full replacement of the Marine Defences is to continue with reactive maintenance, without improving the capacity of the system. This presents a significantly increased risk profile arising from the continued deterioration of the existing end-of-life and under designed infrastructure, combined with increased and more intense storm activity, climate change induced sea level rise, and seismic events. This alternative is not recommended by either WIAL's engineers or the peer reviewer. The design replacement process comprised of an options development process, the purpose of which was to compile an extensive longlist of possible sea defence options and develop subsequent high level concept designs. This longlist was subsequently assessed and reduced to a shortlist of 14 options through a multi-disciplinary workshop process where options were tested against a range of criteria, including constructability, consentability, impact to operations, risk, and cost. These short-listed options were then further developed and assessed using multi criteria analysis to identify the preferred option.	
The extent to which the projectis reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively airfield activity costs with the forecast expenditure for the next five years included in the building block model to establish the required revenue for PSE5. Discussion have occurred with Wellington City Council on sharing costs where seawall infrastructure also protects council assets. These discussions have not been successful to date but are scheduled to continue in the near future.	
Any constraints or other factorson which successful completionof the project is contingent	Resource Consent is required for works within the Coastal Marine Area from Greater Wellington Regional Council and Wellington City Council. It is anticipated that this would be lodged for approval in early 2024, following consultation, with the approval process taking approximately 12 months. This major civil engineering project requires significant area for construction and storage laydown areas to facilitate the main works, and to manage short-term risk by stockpiling armour units and material, able to be deployed in the event of a seawall failure. It is anticipated that site establishment on to southern half of the golf course will be required in early 2025 to progress these works.	

Apron Development Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Apron Development	$43.5m	$61.5m	$105m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Staged development of a flexible apron to accommodate existing demand and forecast growth in passenger numbers and aircraft movements. The apron expansion scheduled for PSE5 includes construction of seven remote stands to the south, a remote stand to the north (under the existing Airport Fire Station), and reconfiguration of existing stands around the South and Southwest piers, to improve utilisation and availability in typical wind conditions. The additional capacity created during PSE5 is an enabler for future staged apron development to 8MPPA, in line with the Masterplan.	
Aims and objectives	To construct an apron which: • meets forecast passenger growth; • meets forecast stand demand; • is designed with Wellington's wind conditions in mind, and provides efficient operations which maximise stand utilisation, and minimise airline resource and disruption; • is stageable to align with the delivery of a future terminal extension in line with the Masterplan; • provides opportunity for forecast future expansion (10 MPPA and 12 MPPA) and to enable efficient staging (flexible and stageable design to match actual growth); • continues to enable the efficient common user terminal operation; • continues to maximise the efficient use of assets by promoting swing domestic/ international capability; • provides a safe and efficient experience for both passengers and ramp staff; • provides options to include and promote environmentally sustainable features. • complies with the conditions of WIAL's Designations	CAR139 ICAO Annex 14 Passenger and aircraft movement forecast Capital Works Programme, Capacity, Level of Service and Compatibility assessment: Airbiz report May 2023 Draft Airfield Mastergrading study
Process by which need for the expenditure was determined	Forecasts developed by Intervistas were reviewed against real and synthetic stand allocation schedules, taking into account WLG specifics such as current and future fleet mix, susceptibility to wind, etc. These were used to determine the required stand numbers. During the development of the 2040 Masterplan, a number of apron layout and staging options were considered. Airlines were consulted and their feedback was used to refine the plans. In early 2023, Airbiz were commissioned to review the existing apron capacity based on the latest forecasts, and confirm the number of stands required to accommodate forecast growth. The results of this have been incorporated into the works and the capex forecast	Intervistas report Capital Works Programme, Capacity, Level of Service and Compatibility assessment: Airbiz report May 2023 Airbiz Report - International South Expansion (ISE) terminal and apron planning
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	Airlines were initially engaged in 2017 to seek their advice on their forecast needs during the Masterplan period. Based on airlines' input, and other information a number of different apron development options were developed and evaluated before adopting the option for the Draft 2040 MasterPlan. Feedback from further consultation on the draft 2040 Masterplan in late 2018 and throughout 2019 was used to refine the apron extents before finalising the Masterplan in 2019. Apron staging plans were provided to the airlines during PSE4 consultation, noting the requirement to first construct remote apron to the south, in order to create sufficient capacity to enable reconfiguration of existing apron areas. Through 2021, 2022, and 2023, WIAL has continued to engage with customers through user forums and management meetings on immediate issues relating to shortfalls in apron capacity, aircraft holding times and delays, apron congestion from pushback operations, and operational and ramp complexities arising due to frequently needing to plan for high-wind operations. Working in collaboration with Airlines in the Integrated Operations Centre has also highlighted the continuous operational challenges with stand allocation due to high demand and the wind conditions at Wellington. As the apron concept designs are developed it is envisaged that further involvement of the airlines and apron users will occur.	
Any alternative projects considered and the rationale for excluding the alternatives	A number of apron layout and staging alternatives were developed and evaluated as part of the Masterplan development process, each having to overcome different constraints and having different pros and cons. Further refinement occurred as a consequence of initial airline feedback, with the timing of apron expansion onto the Miramar Golf Club reviewed. Further engagement and refinement of the apron layout will occur as apron designs are developed.	

The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively airfield activity costs. The forecast expenditure for the development is staged so that incremental improvements are achieved as demand grows and as the new apron is constructed. The expenditure for the stages to be completed for the next five years is included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	The success of the project is dependent on: • completion of the TWY Bravo reconstruction project (scheduled for completion in FY23) • completion of the WCC SMF project (temporarily occupying land for the latter apron stages) • Relocation of main services infrastructure and the agreement of utility owners/operators. • Co-ordination with the Seawall replacement project and the provision of extensive laydown and site support areas.	

BHS Development Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
ECAC std 3 Bag Factory	$50.2m	-	$50.2m
TC3 checkin - Plant	$5.0m	-	$5.0m
TC3 checkin - BUI	$3.9m	-	$3.9m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Construct a new Baggage Handling System (BHS) to replace the existing at-capacity and end-of-life BHS, in a location decoupled from the terminal, and compliant with the Masterplan. The new BHS is proposed to allow for timely incorporation of Std3 compliant screening machines to meet upcoming regulatory requirements. It is expected to offer n+1 resilience, and include an industry standard HLC control system, offering user flexibility by providing sortation to any section of the system (any check-in, to any screening machine, to any aircraft loading station). A Dynamic Bag System vs the current Conventional Makeup operation allows for reduced (by close to half) Bag Hall footprint, and material reductions in airline staffing requirements. The programme also takes advantage of enabling and resilience enhancement works from PSE4 by extending the existing check-in and bag drop systems to the south, improving screening capacity and system reliability, and enabling connectivity to the proposed Bag Factory.	
Aims and objectives	The existing Baggage Handling System at Wellington Airport was commissioned in early 1999 and since then has been expanded and altered to meet growth (e.g. additional laterals), additional security/ screening requirements (e.g. domestic hold baggage screening), and airline user requirements (e.g. self-service check in). The BHS has performed well but it is now at the end of its service life. Service interruptions are increasing, requiring more hands-on management, and contributing to airline delays. In 2017 WIAL appointed a full-time Baggage Handling System Project Engineer and team to ensure the BHS continued to operate at an appropriate level. The current BHS is severely space constrained within the existing bag hall and does not allow for efficient growth, or the increased requirements for modern manual handling and health and safety systems. In 2018 it was confirmed that the new European Civil Aviation Conference (ECAC) Standard 3 screening machines need to be operational by the end of 2021, and during PSE4 consultation, the timing of those requirements, as well as the need to expand the terminal presented a solution to incorporate the new BHS into the new terminal. Post Covid, the NZ CAA updated the Std 3 compliance requirement to FY24 but that target date is under review. The CAA have in parallel pulled forward the CBS-CT programme to ensure a positive security outcome despite the delay of HBS-CT. The effects of the pandemic on passenger forecasts (and the resulting deferral of the southern terminal extension), and AirNZ's surrender of the flight catering ground lease has provided an opportunity to review the BHS strategy, and in particular the location of the future system and the ability to permanently decouple it from the terminal development. The proposed BHS development programme will address the compliance, capacity, reliability, and manual-handling issues by commissioning a new multi-user system of adequate capacity, which meets ECAC std3 requirements, and is expandable to meet forecast growth. Decoupling the BHS from the terminal and moving to a Bag Factory concept has the following benefits: • ability to cost-effectively meet regulatory compliance targets, and address existing capacity, reliability, resilience, and manual handling issues without requiring new terminal construction • ability to house the system in a building with significantly lower construction costs than equivalent volume/area terminal construction • ability to expand the baggage system vertically without being constrained by current and future terminal floor levels, allowing a reduced footprint on a constrained site • ability to refine future terminal expansion requirements, with ~5000m2 less space potentially required for a BHS within the future terminal • relative ease of expandability to meet future demand and regulatory requirements, vs a system constrained by hard terminal infrastructure. • minimised impact to existing BHS ops during construction of the new system • minimise safety, cost and operational disruption risk for the project	Xplane report
Process by which need for the expenditure was determined	In 2018, WIAL commissioned Xplane Ltd (a specialist BHS consultant) to undertake a review of the BHS and consult both internal and external stakeholders. Xplane's report identified key issues with the system, options for expansion, options for enhanced functionality, a roadmap for implementation, and considered how the major intervention could be completed in an efficient transition. The latest ECAC Std 3 target compliance date of 2027 has allowed WIAL to revalidate the BHS strategy, and Xplane were commissioned in early 2023 to review recent developments, and revise the BHS roadmap.	Xplane report CAA letter 02 October 2020 Passenger and aircraft movement forecast

Any consumer engagement undertaken as part of process and how consumer demands have been assessed	WIAL commenced consultation in mid-2018 with airline customers who were issued an information pack and were invited to accompany Xplane and WIAL staff on a fact-finding tour to ensure WIAL is fully informed before embarking on this significant investment. Air New Zealand accepted this offer while other airlines supported the initiative and were interested in the findings. The tour included visits to the company headquarters and innovation centres of the potential BHS suppliers, and included observation of new technologies in operation in live airport environments. The output of this tour was a suite of functional requirements to be incorporated into the design of the new system. Through 2021, 2022, and 2023, WIAL has continued to engage with customers through user forums and ongoing management meetings. These engagements have been focussed upon immediate issues relating to BHS capacity, reliability, space constraints, and the need for expansion. In December 2022 Greg Foran urged WIAL to improve the BHS performance by adding redundancy and increasing capacity. As the proposal would have a direct impact upon facilities currently leased by Air NZ, WIAL introduced the concepts for the near-term resilience improvements (TC3 Checkin) and the long-term Bag Factory concept to Alex Marren (COO Air NZ) in early 2023. This was followed by a site visit of Jeff Helfrick (GM Airports Air NZ) in April 2023. As the BHS design is developed it is envisaged that further involvement of the airlines and their handling agents will occur.	Airline info pack 2018 Tour of airports and BHS manufacturers 2018
Any alternative projects considered and the rationale for excluding the alternatives	WIAL and the airlines have already extracted the most out of the current asset by employing additional resource, carrying out targeted life extension and resilience improvement works, and taking on additional risk. Alternative schemes for modifying the existing system to meet the Std3 regulatory requirements were investigated, however these would fail to address key issues with capacity, reliability, and safety of the existing end-of-life system beyond the immediate term. WIAL also considered proceeding with construction of the first floor slab of the future terminal and housing the BHS within it, in line with PSE4 consultation. This option presented significant risk, and was discounted.	Xplane report
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively specified terminal activity costs with the forecast expenditure for the next five years included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	The preferred location for the remote bag factory is on the site of the existing Flight Catering facility. The existing facility must first be relocated to enable construction works to commence. The project is also dependant on supplier availability for the BHS plant and equipment. Regulatory changes driving similar scale BHS expansion projects in the region are placing pressure on a limited pool of suppliers. WIAL is maintaining contact with industry to ensure this risk is managed as far as reasonably practicable.	

Terminal Optimisation Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
International Arrivals Enhancement	$6.0m	-	$6.0m
Reclaim 4	$2.5m	-	$2.5m
North Pier Departures Optimisation	$10.0m	-	$10.0m
Centralised Security Screening	$16.0m	-	$16.0m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	In response to the effects of the pandemic on passenger forecasts, and in recognition of the resulting pressure on customers, WIAL has proposed to defer delivery of the 8MPPA Southern Terminal Extension to PSE6. Several existing terminal processors, which (prior to Covid) were at or beyond capacity, are now approaching previous levels of demand, resulting in congestion, delays to passenger processing, and Sub-Optimum Levels of Service. To efficiently accommodate interim demand until the 8MPPA terminal is completed, WIAL has proposed minor, but specifically targeted works to reconfigure existing terminal processors which are at or beyond capacity.	Capital Works Programme, Capacity, Level of Service and Compatibility assessment: Airbiz report May 2023
Aims and objectives	The Programme comprises several smaller projects which are proposed to alleviate capacity constraints, improve Level of Service to IATA Optimum Levels (currently IATA Sub-Optimum). The projects are key steps toward the 2040 Masterplan. The projects are focussed on enhancing utilisation of existing assets, and optimising the use of existing terminal areas without significant investment and the need to expand the terminal footprint to cater for short-term growth. The Programme includes the following proposals: • International Arrivals Enhancement – a minor façade extension (within the existing terminal drip-line) and building works to reconfigure L0 international and domestic arrivals, providing increased capacity, improved amenity, and a 70% increase in queue management space for international arrivals at secondary screening. The scheme allows space for a 3rd Biosecurity x-ray machine, increasing processing capacity by 50%. • Reclaim 4 – a minor façade extension (within the existing terminal drip-line) and building works to reconfigure L0 domestic arrivals, allowing installation of a 4th reclaim belt to the south (domestic arrivals), in line with the Masterplan, and compatible with the proposed Bag Factory • North Pier Departures optimisation – reconfiguration of departures screening, and removal of a redundant vertical transportation ramp in the North pier, allowing a 25% increase in floor area in the domestic boarding lounge serving gates 21, 22, and 24 without extending the terminal footprint. The project also includes reconfiguration of the existing interface between domestic and international lounge to enable improved utilisation of existing lounges between domestic and international peaks, and seismic improvements to the building • Centralised Security Screening – Since the Christchurch Mosque attack in 2019 the MOT has continuously informed the aviation industry that a lowering of screening threshold to >30 is a matter of when, not if. In response to this WIAL is preparing for a centralised security screening solution located at the northern end of check-in, with common processes for international and domestic security screening. This proposal will improve screening efficiency by consolidating Avsec resource.	Capital Works Programme, Capacity, Level of Service and Compatibility assessment: Airbiz report May 2023
Process by which need for the expenditure was determined	The effects of the pandemic on passenger forecasts (and the resulting deferral of the southern terminal extension) has necessitated a review of existing capacity constrained terminal processors. WIAL commissioned AirBiz Ltd to review existing terminal capacity, and asses this against forecast near-term passenger demand, identifying areas of the terminal which are currently (or soon to be) over-capacity (IATA LoS "Sub-Optimum"). The projects were assessed, and demonstrated material improvements in amenity and LoS, and were also assessed against the Masterplan.	Capital Works Programme, Capacity, Level of Service and Compatibility assessment: Airbiz report May 2023
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	Through 2021, 2022, and 2023, WIAL has continued to engage with customers through user forums and ongoing management meetings on immediate issues relating to processing queues, boarding gate lounge facilities, and passenger/customer complaints relating to poor levels of services. AirNZ management visited WIAL for a tour of the facilities in April 2023, and discussed plans for addressing short-term capacity and resilience issues. As the designs for these projects are developed it is envisaged that further involvement of the airlines and their handling agents will occur.	
Any alternative projects considered and the rationale for excluding the alternatives	No alternatives were considered, however these projects have been assessed against the Masterplan, to minimise abortive costs, and ensure future opportunity is maximised.	

The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are mainly specified terminal activity costs plus some shared space. The forecast costs, including construction cost escalation, are included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	The Centralised Security Screening project is dependent on a Ministers' decision to lower the mandate screening requirement for passengers from >90 to >30 pax.	

Engineered Material Arrestor System (EMAS)

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
EMAS	$28.5m	-	$28.5m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Upgrade of the existing 90m long Runway End Safety Areas (RESA), by installing an Engineered Material Arrestor System (EMAS) at both runway ends. EMAS is a passive system which decelerates an aircraft, and brings it to a safe, calculated stop in the event of an overrun.	
Aims and objectives	The project aims to enhance runway safety at Wellington airport, by providing a passive system to contain aircraft in the event of an overrun. Wellington's existing RESAs are 90m long - the minimum requirement under NZ CAA rules. The recommended RESA length is 240m, where practicable. An EMAS installation can provide RESA effectiveness equivalency closer to the 240m stipulated where practicable by the CAA.	CAR 139 Appendix A.1 ICAO Annex 14 3.5
Process by which need for the expenditure was determined	In 2017 the Supreme Court found that the failure of the Director of CAA to consider EMAS as a potential alternative to a RESA in respect of a proposed extension to Wellington's runway contributed to the Director's decision being flawed. WLG's unbalanced field length had previously meant that EMAS installation would result in a reduction in effective take-off length. Given the take-off distance requirements of existing trans-Tasman services, it was considered that the material reduction in operating distances associated with EMAS rendered such an installation impracticable in Wellington. Since the Supreme Court decision, EMAS has been installed successfully at Haneda, San Francisco, Boston, and London City Airports, and others, further validating the product for use at aerodromes where physical constraints restrict the ability to provide full length safety areas. The approved installations at these airports have established the precedent that EMAS is able to be adopted at constrained airports like WLG without degrading performance. WIAL has investigated whether EMAS could be installed at WLG to provide safety benefit without degrading operational capability, and determined that it can, subject to CAA approval.	Supreme Court ruling WIAL vs NZALPA [2017] NZSC 199
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	The NZ Airline Pilots Association, the representative body representing the pilots operating at the airport, has advocated strongly for the installation of an EMAS system at WLG. WIAL has requested information from ALPA regarding EMAS installations in other airports where their members operate. Provided EMAS can be incorporated into the airfield design at WLG without reducing operating distances, the project would be in accordance with WIAL's and its substantial customers' objective to progressively enhance the airfield geometry with a view to achieving compliance with CAA recommendations over time.	Supreme Court ruling WIAL vs NZALPA [2017] NZSC 199
Any alternative projects considered and the rationale for excluding the alternatives	During the consideration of proposals to extend the runway at WLG, extending the airfield into the sea to provide enhanced RESA distances was considered. At that time, the cost of extension was estimated at over $300m. The proposed EMAS solution is considered to be the most efficient option available to provide a practicable extension to the RESAs at WLG.	Supreme Court ruling WIAL vs NZALPA [2017] NZSC 199
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively airfield activity costs. The expenditure the next five years is included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	The success of the project is dependent on obtaining approval from the CAA on aspects of the project, including: • EMAS system geometry • Engineering and system design specification approvals • Approval of project MOWPs and Change Management Plans • Agreement with Airways on project/navaid interface	

Decarbonisation Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Terminal Decarbonisation	$11.7m	-	$11.7m
Electrification, PCA, Aircraft Ground Power	$7.5m	-	$7.5m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	The proposed Decarbonisation programme includes investment in infrastructure to enable WIAL and its customers to meet published emissions reduction targets, and increase efficiency. The main component of the programme is the replacement of WIAL's terminal heating and cooling systems. Major components of WIAL's terminal space heating and cooling infrastructure are at or approaching the end of their economic lives. The renewal and replacement of these components was planned to occur as part of the 8MPPA terminal extension, now deferred into PSE6. The programme includes a replacement of the terminal's end of life and at-capacity gas boiler heating system with a modern, sustainable, and energy-efficient heat-pump alternative. To reduce WIAL's scope 3 emissions (and enable a reduction in customers' scope 1 & 2 emissions), the programme also includes progressive rollout of common-user aircraft electrical ground power, pre-conditioned air (PCA), and ground service equipment (GSE) charging facilities at aircraft stands.	Beca report - WIAL boiler replacement and decarbonisation study 2023
Aims and objectives	The replacement of WIAL's gas boiler heating system is a significant step towards WIAL's decarbonisation and emissions reduction programme. The project will remove WIAL's reliance on natural gas, with the new equipment able to respond to the terminal's heating demand more efficiently. The programme also includes a project to rollout aircraft electrical ground power, pre-conditioned air (PCA), and ground service equipment (GSE) charging facilities at aircraft stands. The project facilitates a reduction in scope 3 emissions, as well as a reduction in noise (NOR requirement), due to a reduced reliance on aircraft APUs and diesel ground power units. Charging facilities for GSE are becoming increasingly important as airlines invest in electric GSE in place of diesel powered units, and resilient charging capacity becomes a factor affecting customer on time performance	Beca report - WIAL boiler replacement and decarbonisation study 2023
Process by which need for the expenditure was determined	In 2022 WIAL commenced an electrical energy requirements study, to assess future demand as airlines progress with decarbonisation initiatives (electrification of aircraft, GSE, and gate infrastructure), and as demand increases with general passenger and aircraft growth. The study was used to inform ongoing discussions with Wellington Electricity Ltd, and ensure that future electrical demand can be met by the local grid. In early 2023 WIAL commissioned Beca to conduct a boiler replacement and decarbonisation study for the current and future terminal buildings. A site survey was conducted to assess condition and plant installation, and draft schemes for replacing the exiting gas boilers with energy efficient heat-pump alternatives were developed.	Beca report - WIAL boiler replacement and decarbonisation study 2023
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	Through 2021, 2022, and 2023, WIAL has continued to engage with customers through user forums and ongoing management meetings on immediate issues relating to plans for GSE electrification, and requirements for Aircraft Ground Power and PCA to support reduced fuel burn and flexibility of operations. WIAL have worked with AirNZ to discuss the infrastructure requirements and processes necessary establish GPU usage at WLG. Airlines (and their ground handlers) have continued to invest in electric GSE, requiring investment in support infrastructure, and apron space for charging to occur. Alongside airlines and other industry representatives, WIAL sits on Heart Aerospace's (electric aircraft manufacturer) industry advisory board. The panel discusses industry developments, and infrastructure requirements to support electrification of operations	
Any alternative projects considered and the rationale for excluding the alternatives	No alternatives for supporting electrification of GSE, PCA, and Aircraft Ground Power have been considered. An alternative scheme for the replacement of the terminal's gas boilers was considered. It involved the construction of a dedicated Energy Centre building on the Miramar Golf Course, with alternative technology including ground-source and water-source heat pumps, as well as energy recovery from the Moa Point Wastewater treatment plant. Studies indicated that based on the local hydrogeological conditions there is insufficient capacity for the required performance of the system.	Draft WLG GSHP Desktop study 2020
The extent to which the project is reflected in pricing	The forecast aircraft costs, including construction cost escalation, detailed above are exclusively airfield activity costs. The terminal decarbonisation works are a shared cost across regulated and non regulated activities. The expenditure the next five years is included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	None	

Airways Power and Lighting Divestment

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
PLEXIT + AGL improvements	$27.0m	-	$27.0m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Provision of Airfield Ground Lighting (AGL) is a Part 139 requirement. In NZ, AGL has historically been provided at airports by Airways NZ Ltd (Airways). In 2019 Airways made changes to their services framework. This included the divestment of their power and lighting assets to airports.	
Aims and objectives	Safe and efficient transition of power and lighting assets from Airways to WIAL, while improving the resilience of the assets.	
Process by which need for the expenditure was determined	Airways notified WIAL of their intention to divest AGL by letter dated 25 November 2020. In August 2021 WIAL engaged ADB Safegate Ltd (ADB) to conduct a Due Diligence exercise on the AGL system, and the assets which Airways was looking to divest. ADB's brief was to analyse the condition of the AGL infrastructure, the operation and maintenance management setup, and to provide overall input based on international and local regulations and best practice. Due to Covid travel restrictions, the initial assessment was a desktop review of all asset information supplied by Airways and supplemented by WIAL. The desktop review identified high-level issues and opportunities, and provided focus areas for ADB's site inspection in May 2022 (once travel restriction had lifted). Following the physical site inspection, ADB's updated report identified a number of areas for improvement, required to remove obsolescence, and improve reliability and resilience of critical components to acceptable levels. As well as the transfer of the value of the existing assets from Airways to WIAL, the proposed programme includes works to progressively address the issues identified in ADB's report, and improve the resilience of this critical system.	ADB AGL Desktop review 2022 ADB Capital Works Plan CAA 139.105
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	The proposed divestment of Airfield Power & Lighting has been discussed in numerous industry meetings and was part of the consulted changes of the Airways services framework. The transfer of ownership of Airfield Power & Lighting assets from Airways to Airports has now been broadly accepted by industry. As part of the discussions with Airways, WIAL is working to determine the extents to which the required capex works have previously been consulted on by Airways. The assets and costs were identified for possible inclusion as a Specific Project Charge in PSE4 given their uncertain nature at that time.	
Any alternative projects considered and the rationale for excluding the alternatives	No alternatives have been considered given the planned divestment by Airways.	
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively airfield activity costs. The expenditure the next five years is included in the building block model to establish the required revenue for PSE5. Commercial negotiations between WIAL and Airways are in progress. This will include agreement on the value of the existing assets to be transferred from Airways' and into WIAL's Regulated Asset Base, ensuring no possibility for double-charging.	
Any constraints or other factors on which successful completion of the project is contingent	Conclusion of negotiations with Airways.	

Underground Utilities

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Underground Utilities	$9.7m	-	$9.7m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Investigation and renewal of existing end of life major utilities (stormwater, sewer, gas, and power) within the current and future manoeuvring area.	
Aims and objectives	Some of the underground utilities at Wellington Airport are at the end of their useful life. Many date back to the original airport construction, and their condition, location, and capacity are not at optimum levels. The project will relocate trunk services which are under (current and future) aircraft operational areas to minimise risk to aircraft operations and improve service resilience. An outage in one of the many utilities which are currently under aircraft operational areas could cause significant delays, as parts of the airfield are closed while the service is repaired. The proposed new service corridors are outside significant operational areas and allow for maintenance activities to occur with minimal disruption. Stormwater assets will be renewed to progressively improve stormwater quality in line with National Environmental Standards, and WIAL's Stormwater Discharge Consent. All services will be sized with consideration of future growth, to provide adequate capacity as demand increases (passenger and apron areas).	
Process by which need for the expenditure was determined	WIAL commissioned a draft Trunk Utilities Master Plan, which was developed in parallel with the 2040 Masterplan. It explored current and future demands based on Masterplan forecasts and considered alignments for trunk utilities based on proposed future developments.	Draft trunk utilities Master Plan
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	WIAL has consulted with the operators and/or owners of the major utilities in developing the draft trunk utilities masterplan. Consultation with airline customers has occurred as part of the 2040 Master Plan consultation. Airlines acknowledged the need to renew and relocate the utilities in order to safely and efficiently extend the apron, and allow for future growth.	
Any alternative projects considered and the rationale for excluding the alternatives	Various alignment and scope options were considered, including a "do nothing" approach. Retaining the services in their existing configuration/location would still require significant expenditure to protect them and "bridge" over them to handle aircraft operations. This would add significant risk to operations and service resilience, whilst failing to address regulatory and environmental drivers.	
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively specified terminal activity costs with the forecast expenditure for the next five years included in the building block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	The success of the project depends on the availability of land to relocate the trunk utilities corridor. The optimum alignment locates the utilities corridor on existing Miramar Golf Club land. WIAL is also investigating potential efficiencies with the planned expansion of the Moa Point Wastewater Treatment Plant.	

Airfield Maintenance Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Airfield – BAU	$21.3m	$10.0m	$31.3m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	The ongoing maintenance of all sealed surfaces, including Runway, Taxiways, aprons, and aircraft parking stands required to accommodate safe and efficient aircraft movements.	
Aims and objectives	To ensure continued operational safety, security, regularity, and efficiency through compliance with CAA regulations.	CAR 139.103
Process by which need for the expenditure was determined	WIAL's runway and other sealed surfaces are inspected regularly by WIAL staff and external consultant engineers to determine the requirement for repair or replacement. Reports are prepared annually by the engineers which determine and optimise the schedule of upcoming works required. The latest major inspection and maintenance report was completed in late 2022 following a rigorous week-long inspection by WIAL's current airfield consultant engineers AECOM. Further inspections are conducted on a regular basis, and additional testing and survey has since been carried out to continue to refine the future works programme.	2022 AECOM Annual Pavement Inspection and Pavement Condition Index: Factual Report CAA AC139 – 3 – Aerodrome Inspection programme and condition reporting CAA AC139 – 13 – Aerodrome maintenance
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	These works are largely an update of regular cyclic maintenance as forecast in PSE4, and amended by actual wear, deterioration, and changes in traffic patterns, and updated to be consistent with the 2040 Masterplan. Airlines will have the opportunity to provide formal responses to WIAL's pricing proposals during the PSE5 consultation.	
Any alternative projects considered and the rationale for excluding the alternatives	No alternative options were identified in respect of the repair and replacement of sealed surfaces of operational areas.	
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are exclusively airfield activity costs with the forecast expenditure for the next five years included in thebuilding block model to establish the required revenue for PSE5.	
Any constraints or other factors on which successful completion of the project is contingent	None.	

Seismic Resilience Programme

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Earthquake Strengthening	$5.9m	-	$5.9m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Continued seismic strengthening of existing terminal and transport structures used for public drop off following the issuing of revised seismic assessment guidelines post the Christchurchand Kaikoura Earthquake (section C5 of the Seismic Assessment Guidelines), and a review of the National Seismic Hazard Model (NSHM) in 2022.	NSHM 2022
Aims and objectives	To continue to provide safe and resilient infrastructure, in line with the latest guidelines	
Process by which need for the expenditure was determined	Revised guidelines for seismic assessments of concrete buildings (section C5) were released in late 2018, and an update to the NSHM was released in 2022, and is anticipated to be adopted under the building code. WIAL continues to review seismic assessments of its buildings using the new guidelines. Preliminary results indicate that strengthening of the precast floor slabs underway should continue, and further strengthening works may be required to primary structural elements of some buildings.	NSHM 2022
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	Consultation with airlines on this ongoing programme was undertaken during the PSE4 consultation period. WIAL continues to have regular discussions with the airlines and other tenants to ensure that it continues to provide resilient buildings, infrastructure, and tenancy areas.	
Any alternative projects considered and the rationale for excluding the alternatives	No alternatives have been considered.	
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are shared across regulated and non regulated activity costs.	
Any constraints or other factors on which successful completion of the project is contingent	None	

Aero Leases - Flight Catering Relocation

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Flight Catering Relocation	$14.0m	-	$14.0m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Construction of a new flight catering facility to be located at a new site to the north of the airport (7 Kauri Street), and demolition of the existing facility to allow for the construction of the ECAC std 3 Bag Factory and aviation support infrastructure.	
Aims and objectives	To construct a sustainable and efficient facility that meets regulatory requirements for the provision of airline catering and biosecurity, whilst also allowing airfield geometry and capacity to be improved.	
Process by which need for the expenditure was determined	The existing facility is 45 years old, inefficiently overdesigned, and is approaching the end of its design life, making further upgrades uneconomic. Ministry for Primary Industries has previously voiced concerns over the existing facility's ongoing ability to meet compliance standards.	
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	The existing facility was previously owned by Air New Zealand, with the underlying land leased from WIAL. Ownership of the facility was transferred to WIAL in 2021, on the basis that the facility required redevelopment and would be relocated to enable Master Plan development. WIAL engaged with its stakeholders on the relocation of the Flight Catering facilities during consultation on the 2040 Master Plan and for PSE4. Responses from the initial consultation included: • "The proposal to relocate fire services, cargo, Avsec and catering facilities seem reasonable" - BARNZ representing Fiji Airways, Singapore Airlines and Virgin Australia. • "The relocation of Avis, LSG (flight kitchen) and JUHI is supported" – Air New Zealand. The proposed works were also included in the capital expenditure forecast for PSE4 and PSE5.	
Any alternative projects considered and the rationale for excluding the alternatives	During the development of the 2040 Masterplan different locations were considered for the new flight catering facility. The identified site has been selected as it provides proximate access to the airfield, without impeding airfield or apron development, whilst reducing any risk of potential delays of catering deliveries to airline customers.	
The extent to which the project is reflected in pricing	The forecast costs, including CPI escalation, detailed above are included within Lease - Aircraft/Freight costs. The forecast expenditure for the next five years has not been included in the building block model to establish the required revenue for the Pricing Period.	
Any constraints or other factors on which successful completion of the project is contingent	None.	

Aero Leases - Logistics Hub

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
Logistics Hub	$25.0m	-	$25.0m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Construction of a new purpose-built freight processing and warehouse facility to be located at Freight Drive at the southern end of the airport. Proposed works includes re-alignment of Freight Drive and demolition of the existing facilities to allow for improved airfield geometry and apron development in line with the masterplan.	
Aims and objectives	To construct a sustainable, efficient and flexible freight processing facility that meets regulatory and biosecurity requirements, whilst also allowing airfield geometryand capacity to be improved.	
Process by which need for the expenditure was determined	The existing freight facilities at Wellington Airport are split across five separate buildings and all but one of these facilities are between 45-50 years old. The buildings are approaching the end of their intended design life, provide generally poor amenity, do not meet current earthquake code requirements and are not consistent with the 2040 Master Plan or efficient operations. The location of the existing International Air Cargo Building (Qantas Freight & Fedex) and the Air New Zealand Cargo warehouse are constrained by operational requirements (future taxiway clearance and the Obstacle Limitation Surface (OLS)), and consequently it is not easy or efficient for these buildings to be extended to meet future requirements. This project therefore replaces these end-of-life facilities with a more efficient, resilient and sustainable facility which is aligned with the 2040 Master Plan.	
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	WIAL engaged with its stakeholders on the relocation of the freight processing facilities into a consolidated Logistics Hub during consultation on the 2040 Master Plan and for PSE4. Responses from the initial consultation included: • "The proposal to relocate fire services, cargo, Avsec and catering facilities seem reasonable" - BARNZ representing Fiji Airways, Singapore Airlines and Virgin Australia. In 2021 WIAL and Air New Zealand signed a Heads of Agreement to undertake the development a new freight facility located at Freight Drive, to replace the existing end-of- life facility. Throughout 2021 and 2022 WIAL has held engagement sessions with Air New Zealand, and other freight operators based at the airport, to determine future growth requirements and to seek feedback on early concept designs for the proposed facility. The proposed works were also included in the capital expenditure forecast for PSE4 and PSE5.	Signed Heads of Agreement 21.12.21
Any alternative projects considered and the rationale for excluding the alternatives	During the development of the 2040 Master Plan different locations were considered for the new logistics facility. The identified site has been selected as it provides direct access to the airfield, without impeding airfield or apron development, whilst improving the efficient movement of freight between air cargo operators and freight forwarding operators.	
The extent to which the project is reflected in pricing	The forecast costs, including CPI escalation, detailed above are included within Lease - Aircraft/Freight costs. The forecast expenditure for the next five years has not been included in the building block model to establish the required revenue for the Pricing Period.	
Any constraints or other factors on which successful completion of the project is contingent	The proposed facility will be built in three distinct stages to enable the existing freight facilities to continue to operate throughout the construction phase of the project. Upon completion of each stage identified operators will move into the facility enabling the end-of-life facilities to be demolished.	

International South Expansion

Includes:

Project Line	PSE5 Forecast Spend	PSE6 Forecast Spend	Total Spend
New 8MPPA Terminal - Stage 1	-	$127.6m	$127.6m
New 8MPPA Terminal - Stage 2	-	$141.8m	$141.8m

Disclosure Requirement	WIAL Comment	SOURCE INFORMATION
Description of works	Development of an 8MPPA terminal to meet forecast passenger growth.	
Aims and objectives	To construct an 8 MPPA terminal: • to provide additional terminal space at "optimum" IATA level of service: • to meet forecast passenger growth; • to provide efficient operations while optimising commercial opportunities and passenger experience; • to meet forecast stand demand; • to provide opportunity for forecast future expansion (10 MPPA and 12 MPPA) and to enable efficient staging (flexible and stageable design to match actual growth). • that continues to facilitate the efficient common user terminal operation; • that continues to maximise the efficient use of assets by promoting swing domestic/ international capability; • that provides a high quality passenger experience and be recognisably "Wellington Airport", providing a "sense of place" and reflect Wellington's cultural identity; • that integrates with and builds on the successful spaces created by the Main Terminal building and the recently completed South Extension project; • that provides options to include and promote environmentally sustainable features; • that provides options for the future introduction of centralised security screening, self-service/biometric technologies and other potential technology initiatives.	CAR139 IATA ADRM Airbiz Report - International South Expansion (ISE) terminal and apron planning
Process by which need for the expenditure was determined	Forecasts were developed to identify international and domestic busy hour (BHR); these in turn used industry metrics such as the IATA Airport Development Reference Manual and WLG specific passenger mix and performance to determine terminal area and stand numbers. A number of different terminal development options were developed and evaluated before adopting the preferred option for the draft 2040 Master Plan. Airlines were consulted and their initial feedback was used to refine the plans prior to a further round of consultation.	Passenger and aircraft movement forecast IATA Airport Development Reference Manual Airport Service Quality Surveys
Any consumer engagement undertaken as part of process and how consumer demands have been assessed	Airlines were engaged in 2017 to seek their advice on their forecast needs during the Master Plan period. Based on the airlines' input, and other information a number of different terminal development options were developed and evaluated before adopting the option for the 2040 Masterplan. As the terminal design is developed it is envisaged that further involvement of airline customers will occur. Airport Service Quality surveys and customer experience focus groups are used to understand performance and inform design requirements.	Passenger and aircraft movement forecast ASQ surveys Customer experience focus groups.
Any alternative projects considered and the rationale for excluding the alternatives	A number of alternatives were developed and evaluated as part of the Master Plan process; further refinement occurred as a consequence of initial airline feedback. Further engagement and refinement will occur as terminal concepts are developed.	
The extent to which the project is reflected in pricing	The forecast costs, including construction cost escalation, detailed above are combined regulated and unregulated activity costs. While the capital expenditure for the next 10 years is provided the first stage will not be completed until PSE6, and therefore prices being set for PSE5 will not include the new terminal.	
Any constraints or other factors on which successful completion of the project is contingent	The success of the project is dependent on: • Obtaining resource consent, required before large scale earthworks commence; • Development of the apron and the relocation of aviation support buildings such as existing cargo buildings and the Airport Fire Station; • Relocation of main services infrastructure and the agreement of utility owners/operators.	

Wellington International Airport Limited ("WIAL")
Schedule of Landing and Terminal Charges
Effective 1 April 2024 to 31 March 2029

NOTE: All charges are exclusive of GST unless noted otherwise.

1. Charges for Operators of Passenger Services Utilising Terminal Facilities

(a) Airfield and Terminal Charges[1]

	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Offpeak Passenger Charge[2]					
Domestic Jet	$22.66	$24.03	$25.83	$27.06	$28.73
Domestic Prop ≥10 Tonnes	$15.29	$16.66	$18.46	$19.69	$21.36
Domestic Prop <10 Tonnes	$14.28	$15.65	$17.45	$18.68	$20.35
International	$32.23	$33.85	$35.90	$37.38	$39.30
Peak Movement Charge[3]					
Peak	$20.00	$20.00	$20.00	$20.00	$20.00
Shoulder	$10.00	$10.00	$10.00	$10.00	$10.00

Notes:
1. *Charges are additive.*
2. *Per departing and arriving passenger excluding infants (under 2 years old), transit passengers, positioning crew, and diverted international passengers returned to destination (being only those diverted passengers not processed by customs).*
3. *Per aircraft landing and departure. Peak defined as actual landing or take-off time 07:45-8:45 and 18:15-19:15 Monday-Friday; shoulder 30 minutes either side of peak. No peak charge outside of these periods.*

(b) Transfer Passengers[1]

	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Transfer Discount[2]	5%	10%	15%	20%	25%

Notes:
1. *Transfer passenger defined as any non-exempt passenger that arrives at Wellington Airport, changes plane and departs on a connecting flight to a different destination (than their original departure) on one itinerary with a stopover of less than 24 hours at the airport.*
2. *Discounts applied to both legs of the trip; discounts exclude LUMINS.*

(c) Parking Charges[1]

		1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Per (part) Hour – Only applies Mon-Fri 06:00-10:00, 16:00-20:00						
Domestic Jet	After 60 min	$61.06	$62.27	$63.48	$64.64	$65.77
Domestic Prop	After 60 min	$48.84	$49.82	$50.78	$51.71	$52.62
International	After 120 min	$85.48	$87.18	$88.86	$90.49	$92.08

Notes:

1. *Parking charge rates are per hour (or part thereof). Parked time is determined by subtracting the scheduled aircraft take-off time from the scheduled aircraft landing time, and then subtracting 8 minutes for taxiing time (4 minutes in each direction). Parking charges apply to any time spent on the Eastern apron; parking on the Western apron will incur the non-passenger parking charges. WIAL will consider parking charge relief for the time parked outside of the control of the operator e.g. weather disrupts.*

(d) Noise Mitigation (LUMINS) Charge[1]

	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Passenger Charge	$0.34	$0.34	$0.34	$0.34	$0.34

Notes:

1. *Charges for implementation of the Land Use Management and Insulation for Airport Noise Study (LUMINS) scheme.*

(e) Discounts for NextGen Aircraft[1]

	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Discount[2]	100%	100%	100%	100%	100%

Notes:

1. *NextGen Aircraft include electric, hybrid and hydrogen-powered aircraft. Hybrid aircraft are defined as aircraft that use both battery and fuel energy sources to power propulsion, either in tandem or alternately.*
2. *Discounts exclude LUMINS.*

(f) Incentives for Capacity Growth[1]

	Qualifying Capacity		Year 1	Year 2	Year 3
Domestic	All Pax Growth over Previous Years		25%	10%	0%
International – Short Haul	3 per week	Additional Capacity on Existing Route	50%	25%	0%
	3 per week	New Route to/from WLG	100%	50%	25%
International – Long Haul	All	Additional Capacity on Existing Route	50%	25%	0%
	3 per week	New Route to/from WLG	100%	100%	100%

Notes:

1. *Incentives are discounts on all airport charges relating to the operation of the qualifying capacity excluding LUMINS.*

Incentive terms and conditions:

1. Additional domestic capacity shall receive a 25% discount on passenger and parking charges for the first 12 months of operation and a 10% discount for the second 12 months of operation.

2. This discount shall only be applied to the incremental passengers in the given financial year exceeding the total passengers flown on domestic routes by the airline seeking the discount in the immediately preceding financial year.

3. The maximum number of passengers qualifying for the discount will be limited by the level of total market growth, being the difference in total domestic passengers between the financial year in which the discount is sought and the immediately preceding financial year.

4. Additional capacity on international short-haul routes served by existing scheduled passenger operations shall receive a 50% discount on passenger and parking charges for the first 12 months of operation and a 25% discount for the second 12 months of operation.

5. This discount shall only be applied to the number of passengers in the given 12 months exceeding the total passengers flown on the specific international route concerned in the immediately preceding 12-month period provided that a minimum additional average frequency of three return services per week is operated.

6. The maximum number of passengers qualifying for the discount will be limited by the level of total market growth, being the difference in total international passengers between the 12 month period in which the discount is sought and the immediately preceding 12 month period.

7. Additional capacity on international short-haul routes not currently served by scheduled passenger operations shall receive a 100% discount on passenger and parking charges for the first 12 months of operations, a 50% discount for the second 12 months of operations and a 25% discount for the third 12 months of operations.

8. The discount shall only be applied to the number of passengers in the given 12 months exceeding the total passengers flown on the specific International route concerned in the immediately preceding 12-month period provided that a minimum additional average frequency of three return services per week is operated.

9. The maximum number of passengers qualifying for the discount will be limited by the level of total market growth, being the difference in total international passengers between the 12 month period in which the discount is sought and the immediately preceding 12 month period.

10. Additional capacity on international long-haul routes served by existing scheduled passenger operations shall receive a 50% discount on passenger and parking charges for the first 12 months of operation and a 25% discount for the second 12 months of operation.

11. This discount shall only be applied to the number of passengers in the given 12 months exceeding the total passengers flown on the specific routes in the immediately preceding 12-month period.

12. Additional capacity on international long-haul routes not currently served by scheduled passenger operations shall receive a 100% discount on passenger and parking charges for the first three 12-month periods of operations provided that a minimum additional frequency of three return services per week is operated.

13. For the avoidance of doubt, the incentives for capacity growth do not apply for LUMINS charges.

2. Charges for Operators not Using Terminal Facilities

(a) Aircraft Movement Charges[1]

	Period[2]	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Domestic Prop	**Peak**	$31.78	$33.49	$35.89	$37.56	$39.85
≥30 Tonnes	**Shoulder**	$31.64	$33.35	$35.75	$37.42	$39.71
	Offpeak	$31.50	$33.21	$35.61	$37.28	$39.57
Domestic Prop	**Peak**	$20.71	$22.63	$25.33	$27.20	$29.77
2-30 Tonnes	**Shoulder**	$19.74	$21.66	$24.36	$26.23	$28.80
	Offpeak	$18.77	$20.69	$23.39	$25.26	$27.83
International	**Peak**	$45.05	$47.02	$49.60	$51.53	$54.01
	Shoulder	$44.92	$46.88	$49.47	$51.39	$53.88
	Offpeak	$44.78	$46.75	$49.33	$51.26	$53.74
Gen Aviation <2 Tonnes[3]		$12.21	$12.46	$12.70	$12.93	$13.16

Notes:

1. *Charge per MCTOW tonne per Movement. Aircraft with a MCTOW greater than 100 tonnes will be charged the full charge to 100 tonnes and 10% of the full charge for the incremental tonnage over 100 tonnes.*
2. *Peak defined as actual landing or take-off time 07:45-8:45 and 18:15-19:15 Monday-Friday; shoulder 30 minutes either side of peak.*
3. *Off peak charge per movement (not MCTOW tonne). A minimum charge of $100 in the peak and $75 in the shoulder applies. A minimum monthly charge of $55 per month (increased by CPI) applies.*

(b) Parking Charges[1]

		1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Per (part) Hour – Only applies Mon-Fri 06:00-10:00, 16:00-20:00						
All Aircraft	After 120 min	$24.43	$24.91	$25.39	$25.86	$26.31

Notes:

1. *Parking charge rates are per hour (or part thereof). Parked time is determined by subtracting the scheduled aircraft take-off time from the scheduled aircraft landing time, and then subtracting 8 minutes for taxiing time (4 minutes in each direction). Parking charges apply to any time spent on the Eastern apron; parking on the Western apron will incur the non-passenger parking charges. WIAL will consider parking charge relief for the time parked outside of the control of the operator e.g. weather disrupts.*

(c) Noise Mitigation (LUMINS) Charges[1]

	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
MCTOW < 2 tonnes	$1.34	$1.34	$1.34	$1.34	$1.34
MCTOW 2-30 tonnes	$6.29	$6.29	$6.29	$6.29	$6.29
MCTOW ≥ 30 tonnes	$42.53	$42.53	$42.53	$42.53	$42.53

Notes:

1. *Fixed charge per movement for implementation of the Land Use Management and Insulation for Airport Noise Study (LUMINS) scheme.*

(d) Discounts for NextGen Aircraft[1]

	1 April 2024	1 April 2025	1 April 2026	1 April 2027	1 April 2028
Discount[2]	100%	100%	100%	100%	100%

Notes:

1. *NextGen Aircraft include electric, hybrid and hydrogen-powered aircraft. Hybrid aircraft are defined as aircraft that use both battery and fuel energy sources to power propulsion, either in tandem or alternately.*
2. *Discounts exclude LUMINS.*

3. Terms of Trade for Payment of Invoices

(a) Payment Terms

WIAL will as soon as practicable after the end of each month calculate each airline's charges for that month, and will send each airline an invoice for their charges. Each airline must pay the amount of the invoice by the later of:

- 20th day of the month after the month to which the invoice relates; and
- 7 days after the date it receives the invoice.

Airlines must inform WIAL within 7 days of when they receive an invoice, if they disagree with the invoice. The airlines to pay the correct amount due as soon as the correct amount is agreed or determined.

(b) Interest on Overdue Amounts

The airlines will pay interest on the amount of any charge which is properly owed, but not paid on time, if the charge is not in dispute. The airlines will also pay interest on unpaid amounts that relate to charges which are in dispute, but only if any of the following apply:

- The airlines who have failed to pay, agree to pay the charge in dispute; or
- The airlines who have failed to pay, agree that the charge in dispute is properly payable; or
- The charge in dispute is determined to be properly payable.

The interest is payable on the unpaid amounts from the day it should have been paid, until paid in full. The day it should have been paid, is the later of the 2 days for payment listed under clause 3(a) above, after WIAL issues an invoice for the correct amount.

(c) Rate of Interest and Costs

The rate of interest payable under the previous clause is the rate WIAL's principal bank charges, or would charge, WIAL for overdraft money during the time for which interest is being charged plus a margin of 3%.

In addition to penalty interest, the airlines must pay all reasonable costs of and incidental to the enforcement, or attempted enforcement, of WIAL's rights, remedies and powers under this schedule of charges.

4. Service Quality and Compliance Reporting

(a) Service Quality Reporting

In order to continually improve its operations and service delivery, WIAL requires the provision of data from airlines for Airport Service Quality reporting and the measurement of service performance.

(b) Compliance Reporting

In order to achieve compliance with its reporting obligations under the Commerce Commission's Information Disclosure regime, WIAL requires certain information from its airlines in respect of interruptions, on time departure delays and passenger data:

Interruptions:

Airlines to advise WIAL of:

- All outages of WIAL facilities as they are identified.
- The cause of the outages (if known).

On Time Departure Delays:

Airlines to provide WIAL with:

- Monthly reports of on time delays for flight departures from WIAL.
- The cause of the delays.

Passenger Data:

WIAL requires that the airlines provide WIAL with monthly reports of passengers carried by flight including details of the time of the flight and origin/destination for the flight. This information should be provided in electronic form.

An Example of the Provision of Airline Information for Passenger Services

Airline: _____

for the Month of: _____

	Information
Flight Number	NZ123
Aircraft Type	A320
Aircraft Registration	ZK-ABC
Aircraft MCTOW (kg)	78,000
Aircraft Seats	168
Sector Origin	WLG
Sector Destination	SYD
Actual Departure Time (NZST)	1/6/2014 06:00
Actual Arrival Time (NZST)	1/6/2014 09:05
Scheduled Arrival Time (NZST)	1/6/2014 06:00
Scheduled Departure Time (NZST)	1/6/2014 09:05
Diverted to/from WLG?[1]	No
Total Passengers Carried	158
Less Exemptions:	
Infants	3
Positioning Crews	3
Transit Passengers[2]	0
Diverted Passengers Returned to Destination[3]	0
Passengers Carried for Billing Purposes	152
Passengers for Discount:	
Transferring Passengers[4]	0

Notes:

1. *If passengers remain on the aircraft in the case of domestic, or are not processed through customs in the case of international, then non- passenger charges will apply.*
2. *Any passenger who remains on or reboards on the same aircraft for a thru flight via Wellington Airport.*
3. *Passengers not processed through customs only.*
4. *Any passenger who arrives at Wellington Airport and departs on a different aircraft to a different destination from their original departure on one itinerary with a stopover less than 24 hours.*

Signed by: _____

Title: _____

Date: _____