CHRISTCHURCH INTERNATIONAL AIRPORT LTD

SPECIFIED AIRPORT ANNUAL INFORMATION DISCLOSURE

YEAR ENDED 30 JUNE 2018

30 November 2018

CHRISTCHURCH AIRPORT

EXECUTIVE SUMMARY

INTRODUCTION

1. CIAL's Regulatory Context

Christchurch International Airport Limited ("CIAL") is subject to a detailed and effective regulatory regime:

- Under the Airport Authorities Act 1966 ("AAA"), CIAL is entitled to set prices for airport services and facilities, so long as it consults with its substantial customers in the price setting process.
- CIAL is also governed by the Input Methodologies regime, which influences how CIAL calculates its allowable revenue, sets prices, and makes public disclosures. Under the Input Methodologies regime:
  - Specific guidance is established by the Commerce Act (Specified Airport Services Input Methodologies) Determination, explaining how airports ought to calculate (for the purposes of pricing) certain inputs such as cost of capital and depreciation;
  - Airports are required by the Airport Services Information Disclosure Determination ("ID Determination") to disclose information on costs and profitability in accordance with the Input Methodologies ***annually*** *(this being one such disclosure)* and ***following a price setting event*** *(the last disclosure relating to the reset of aeronautical prices being published in August 2017);* and
  - The Commerce Commission ("the Commission") is required by section 53B(2)(b) of the Commerce Act to review CIAL's disclosures and publish a summary and analysis of the disclosed information for the purpose of understanding CIAL's performance.

The Input Methodologies ("IMs") are an important input to regulation under Part 4. The purpose of IMs is to provide certainty to both regulated suppliers and consumers about the rules, requirements and processes applying to Part 4 regulation. A stable and predictable regime provides suppliers and investors in regulated firms with the confidence to invest in long-lived infrastructure that provides essential services to all New Zealanders.

2. Background

On 19 June 2017 CIAL set its prices for the period 1 July 2017 to 30 June 2022 ("PSE3"). CIAL's pricing decision was sent to airlines and the Commission, and was the outcome of seven months of extensive consultation with CIAL's substantial customers.

On 14 August 2017 CIAL disclosed information related to "specified airport activities"[1] and CIAL's price setting event PSE3 in accordance with the ID Determination.

CIAL now discloses, alongside and within this document, the annual information disclosure requirements, and additional information for context and to aid understanding, for the year ending 30 June 2018 ("2018 Disclosure").

[1] "Specified Airport Activities" covers more activities than those for which prices were set as part of CIAL's third price setting event. As such, this disclosure covers activities commonly described as "priced" (part of PSE3) and "non-priced". Charges for "non-priced" activities are individually negotiated with customers outside of the aeronautical pricing consultation".

The 2018 Disclosure represents the first annual disclosure under PSE3, being the period from 1 July 2017 to 30 June 2022. This executive summary also provides some background to this disclosure – the regulatory regime, an overview of CIAL's business and strategic objectives, together with an overview of the information the 2018 Disclosure templates provides on the performance of the company for this period.

As noted above this is the first annual disclosure under PSE3, so should be read in conjunction with CIAL's PSE3 price setting event disclosures published on 14 August 2017 to get a picture of the performance of CIAL's regulated activities over the first year of PSE3.

3. Availability of Information

In accordance with the requirements of public disclosure, this disclosure and its related attachments:

- were preceded by the following notice in the *Gazette* on 30 November 2018: https://gazette.govt.nz/notice/id/2018-gs6034;
- are available on CIAL's website: www.christchurchairport.co.nz;
- are available for inspection at CIAL's office between 8.30am to 5.00pm, Monday to Friday;

  Christchurch International Airport Limited
  Car Park Building
  30 Durey Road
  Christchurch, New Zealand.

- will be provided to the Commerce Commission by 7 December 2018; and
- will be provided to any person by post or for collection from CIAL's offices within 10 working days of a request.

4. Previous Regulatory Engagement

CIAL's previous pricing period (PSE2) ran from 1 December 2012 to 30 June 2017. After setting its PSE2 prices, CIAL engaged in two regulatory processes:

- First, under section 56G of the Act the Commission assessed and reported to the Ministers of Commerce and Transport on how effectively the Information Disclosure regime is promoting the purpose of Part 4 of the Commerce Act. The Commission's report was finalised in February 2014.

  In response to the Commission's findings and to increase transparency, CIAL then re-disclosed its PSE2 prices on 19 December 2012.

- Second, under section 53B of the Act the Commission analysed and summarised CIAL's second PSE2 disclosure.

The Commission and CIAL's customers requested that CIAL increase transparency, and expressed concerns over the complexity and transparency of CIAL's then-approach to depreciation (which set prices based on a 20 year levelised price path). The Commission also identified that CIAL's 20-year approach may result in CIAL extracting excessive profits in future pricing periods.

CIAL took account of this feedback in setting its PSE3 prices. In particular, CIAL:

- aligned its pricing asset base where possible with its regulated (disclosure) asset base, to increase transparency and align CIAL's price setting exercise with the process the Commission will undertake in assessing CIAL's returns; and
- used a tilted annuity method of depreciation. This method was chosen with expert input from Incenta Economic Consulting (Incenta), and is intended to increase transparency compared to the 20 year levelised approach used in PSE2.

On 1 November 2018, the Commission published its final summary and analysis report under section 53B(2) of the Commerce Act 1986 in respect to CIAL's PSE3 pricing decision and noted that:

- it was broadly satisfied that CIAL is not targeting excessive profits over the PSE3 period and that CIAL's targeted return on its priced services is reasonable;
- CIAL had improved its transparency and consultation process compared to PSE2, in particular to include a more transparent tilted annuity depreciation method;
- it had no significant concerns over CIAL's forecasts; and
- CIAL's new charging structure does not raise significant efficiency concerns.

The Commission also noted that it would prefer more explanation from CIAL on various topics, including route incentive payments and capital expenditure projects (along with other topics specific to pricing). CIAL has commented specifically on these areas in this document and throughout disclosure where appropriate.

OVERVIEW OF CIAL AS A BUSINESS

5. Purpose and Vision

CIAL recognises the importance of its role as the primary gateway for the South Island and its core purpose of "Championing the South Island".

The regional and leadership activities at CIAL make a significant contribution to the social and economic wellbeing of the communities and economies of Christchurch, Canterbury and assist in regional social and economic development of the South Island as a whole.

In particular, CIAL provides a 50:1 multiplier for the communities it serves. For every dollar CIAL generates, the wider economy receives $50 of economic value.

Visitors arriving at the Airport distribute themselves through the South Island region better than visitors arriving at any other New Zealand airport, and over 74% of international visitors to New Zealand are destined for regions of the South Island. CIAL has established "South", an initiative, which sees all South Island regional tourism organisations and major tourism operators working collaboratively in tourist markets to coordinate the efforts of the South Island to make sure these visitors are well catered for and the regional economic upside is realised.

6. Aviation Environment

For some decades now CIAL's passenger volume has primarily come from domestic and Tasman services (circa 85%).

The aviation landscape has become extremely dynamic recently, within New Zealand, on the Tasman and internationally, as is evidenced by recent announcements by Air New Zealand that they will exit their relationship with Virgin Australia whilst entering a domestic network code share with Qantas.

Airline decisions to add or subtract capacity on routes, or entire routes can be influenced by several significant factors such as changes in operating costs (including aviation fuel), the opportunity costs of servicing one route in a domestic or international network over another, and the importance of the performance of a network as a whole.

This can make forecasting of passenger demand and make-up challenging and susceptible to decisions by airlines that change the way passengers arrive at (or by-pass) Christchurch, and may be driven by factors that are independent of routes in or out of Christchurch (e.g. capacity issues, or competition, in relation to other routes).

In respect to the 2018 Disclosure year, CIAL has seen some examples of changing dynamics in passenger flows which are explained below in section 8 of this document which discusses passenger demand as compared to forecast.

7. CIAL's Long Term Pricing Objectives

In 2005 CIAL committed to building a new integrated terminal to meet the demands of consumers, growth in tourism, and to reflect the Airport's role as gateway to the South Island.

CIAL's long term pricing objectives fall into three categories:

- Increasing the productivity and efficient use of the existing terminal asset;
- Ensuring CIAL is innovative itself, and facilitates and is open to others' innovation (refer to Section 10 below); and

- Being transparent through a simplified price structure, asset base and method of depreciation.

CIAL's primary goal is increasing the productivity and efficient use of its existing assets, without the need for substantial additional capital expenditure. Airlines and the Commission were supportive of this approach.

The integrated terminal was designed to provide increased productivity into the future through plans for it to become increasingly integrated/flexible. An example of this being the ability of certain gates and sections to 'swing' between domestic and international, jet and turboprop flights.

Accordingly, CIAL proposed setting its PSE3 prices on a per passenger basis. Per passenger prices allow CIAL to increase and incentivise flexible and efficient use of its airfield and terminal. They are also simple to understand, transparent and (as the Commission identified) likely to reduce airlines' exposure to demand risk. CIAL considers (and the majority of airlines agreed) per passenger prices align CIAL's and airlines' interests.

A key driver in CIAL's PSE3 price structure was to increase and incentivise flexible and efficient use of its terminal by removing incentives on airline customers to alter fleet mix in ways that don't reflect CIAL's forward looking costs, and to send price signals about the relative capacity constraints facing its different terminal areas. The price structure puts in place incentives (and removes barriers) to make more efficient use of the capacity in the full integrated terminal to minimise future capital expenditure requirements. CIAL notes in particular:

- To facilitate this efficient and flexible use, in the 2018 Disclosure year CIAL developed Gate 15 to enable multiple access for turbo-prop aircraft to the integrated terminal, providing flexibility and reducing volumes dependent on the near capacity regional lounge area;
- This has allowed CIAL to provide flexibility for airlines to switch between ATR and jet aircraft on certain routes whilst still disembarking at the same gate, together with another gate option for ATR aircraft to reduce crowding in the regional lounge;
- Pleasingly Gate 15 has been well utilised by a higher proportion of ATR aircraft than initially anticipated.

In addition, the PSE3 price structure means that CIAL is essentially agnostic if there is a change in airline behaviour in respect to how they bring passengers to Christchurch, for example more international passengers arriving directly into Christchurch rather than via another New Zealand airport.

CIAL's annual disclosures allow interested parties to understand our financial and non-financial performance at a point in time and, more informatively, it will allow interested parties to build up a picture of our performance over time.

As noted above this is the first annual disclosure under PSE3. In the following sections, we outline the key points that the 2018 Disclosure presents in respect to the performance of CIAL's regulated activities over the first year of PSE3 and when read in conjunction with our PSE3 price setting event disclosures.

8. Financial Information

Revenue Outcomes

Aeronautical services that were the subject of the PSE3 pricing decision were priced via consultation with airline customers and using the "building blocks" approach. This approach sets headline prices aimed at achieving a target revenue based on a build-up of CIAL's costs. CIAL is then open to commercial discussions with its customers about price, and agrees to a variety of arrangements to facilitate demand growth.

The prices for other aeronautical services (such as leases for aircraft and freight activities) are negotiated bilaterally. Many of these contracts are long term in nature, with the prices therefore reflecting the interest rate environments and assumptions at the time the contracts were entered into, coupled with the longer-term value proposition that a tenant will assess when agreeing market terms.

The aeronautical charges under PSE3 took effect on 1 July 2017 and were described in detail in our PSE3 price setting event disclosure report (dated 14 August 2017 and available on our website).

In setting the PSE3 aeronautical charges in 2017 it was necessary for CIAL to make several forecasts (with expert advice and in consultation with airlines) including, importantly, the forecast demand for the pricing period through to June 2022.

Passenger Demand

- *Forecasting Process*

  CIAL engaged Three Consulting to provide independent domestic and international demand forecasts as part of the PSE3 price setting consultation process.

  Key to forecasting demand is information available from airlines in the form of published schedules. The demand forecast for the 2018 Disclosure year was primarily based on these airline schedules, sourced from IATA in March 2017.

  As demonstrated in the table below:

  - airlines would have filed schedules out to September 2017 at the point Three Consulting made its forecasts;
  - the October 2017 to February 2018 schedules available were, at that time, preliminary schedules (which are often subject to significant change). Three Consulting made adjustments to those preliminary schedules based on additional information available to CIAL from airlines at the time (e.g. proposed scheduling or route frequency changes); and
  - beyond March 2018, the forecast schedule was based on an assessment of growth and/or change compared to the prior year.

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
IATA Schedule Status	Final	Final	Final	Preliminary	Preliminary	Preliminary	Preliminary	Preliminary	Not Available	Not Available	Not Available	Not Available
FY18 CIAL Forecast based on:	IATA Schedule	IATA Schedule	IATA Schedule	IATA Schedule + Adjustments	IATA Schedule + Adjustments	IATA Schedule + Adjustments	IATA Schedule + Adjustments	IATA Schedule + Adjustments	IATA Prior Year + Adjustments	IATA Prior Year + Adjustments	IATA Prior Year + Adjustments	IATA Prior Year + Adjustments

As discussed above, CIAL undertook seven months of consultation under the AAA regime. Airlines were generally supportive of CIAL's approach to forecasting demand and gave no specific feedback on either CIAL's initial demand forecasts (provided in November 2016) or revised demand forecasts (provided in April 2017). Airlines did not provide any alternative demand forecasts during consultation.

- *Volatility of Capacity and Demand*

  Forecast passenger demand is a function of three key assumptions: the number of aircraft movements, the number of seats on each movement (influenced by the type of aircraft e.g. turbo-prop vs jet), and the load factor for each movement (i.e. the number of seats occupied).

  Volatility in each of these assumptions is typical and evidenced by airline traffic through CIAL over the last 2-3 years. Whilst this has largely been a period of growth, within different aircraft types and routes there have been significant growth and contractions, and inconsistent trends from one year to the next. For reference, a variance of 1% in a load factor assumption across the available seat capacity equates to approximately 85,000 passengers.

  Consequently, some variance to forecast will be typical and reflects changing airline strategies (noting, for example changes made to preliminary schedules since such schedules were considered at the time of forecasting), the number of variables in forecasting demand and changes over time since forecasts were made. As the Commission identified:

  - "We note that future demand levels are not entirely within the Airport's control and we therefore expect actuals to be different to forecast. We note that Christchurch Airport has used expert advice, and this its forecast does not appear unreasonable given Christchurch Airport's knowledge at the time prices were set."[2]
  - CIAL's forecasts were not inconsistent with its average annual growth over PSE2 and there are a number of reasons why – at the time of forecasting – expectations of growth for PSE3 may have been lower than those for PSE2.[3]

  Also, as noted in Section 6 above, the aviation landscape has become extremely dynamic recently, particularly within New Zealand and on the Tasman. Also, airline decisions to add or subtract capacity on routes, or entire routes is influenced by several factors out of the control of CIAL.

[2] Commerce Commission "Review of Christchurch International Airport's pricing decisions and expected performance (July 2017-June 2022" (1 November 2018), at [B100] (**Final Report**).
[3] Final Report at [B82] – [B83].

- *2018 Disclosure year Variances*

  In respect to the 2018 Disclosure year, CIAL has seen some variances in seat capacity and passenger flows as compared to forecast (refer to table below):

	Actual			PSE Forecast			Variance		
	Seats	PAX	Load Factor	Seats	PAX	Load Factor	Seats	PAX	Load Factor
International	2,248,556	1,754,509	77.9%	2,272,222	1,660,951	73.1%	-23,666	93,558	4.8%
Domestic Jet + WLG	4,409,746	3,658,259	83.0%	4,470,946	3,643,272	81.5%	-61,200	14,987	1.5%
Regional	1,804,406	1,453,195	80.5%	1,838,984	1,390,355	75.6%	-34,880	62,840	4.9%
TOTAL	8,462,406	6,865,963	81.1%	8,582,152	6,694,578	78.0%	-119,746	171,385	3.1%

The outcomes for the 2018 Disclosure year show that fewer seats were actually operated across all categories than was originally indicated in the schedules used as a basis for the forecast (circa 120,000 seats fewer).

However, there was much stronger growth in passenger demand (and hence load factors) than forecast. Passenger demand can be driven by economic growth, changes in airfares, marketing and a number of other factors which from an airport perspective are more difficult to predict, and less available and reliable than the future airline schedules. In particular, international demand is naturally more changeable and harder to forecast than domestic demand, in particular due to a higher proportion of leisure and 'optional' travel.

The outcome for the 2018 Disclosure year has been that total passenger numbers exceeded those forecast by 2.6% overall. Domestic passenger movements were within 1.5% of those forecast and total international passenger movements exceeded those forecast by 5.6% (noting that international passenger movements as a proportion were 26% of all movements).

<u>International Variances</u>

In respect to international capacity, at the time the 2018 Disclosure year forecast was developed, there was some uncertainty whether scheduled routes would continue to be operated, and the frequencies of service in the peak summer season which (until the final schedules are filed) can vary significantly. The largest variances are noted below:

- Scheduled CHC-SYD services operated by China Airlines were withdrawn.
- However overall passenger numbers on the CHC-SYD route were circa (*+25,000)* above forecast as other airlines carried passengers previously carried by China Airlines, together with experiencing higher load factors on this route (i.e. more passengers travelling per flight, rather than more flights). Load factors are difficult for airports to predict given they cannot be observed from airline schedules and tend to be driven by airlines' yield management decisions such as marketing and often last minute pricing decisions aimed at filling aircraft.
- As noted above CIAL received additional summer frequencies on its existing long haul routes to Singapore and Guangzhou which were not originally scheduled, coupled with improved load factors compared to prior years – providing around (*+30,000)* more passengers than forecast.

Domestic Variances

Pilot shortages and jet engine issues have caused some knock-on effects throughout Air New Zealand's domestic network in the 2018 Disclosure year, resulting in lower capacity than forecast. Key variances in domestic demand are noted below:

- Growth in scheduled capacity on the CHC-WGN route was removed from the schedule and growth in scheduled capacity on the CHC-ZQN route came in the form of turbo-prop aircraft rather than jets as was expected (less seats), a difference of circa 40,000 passengers.
- Growth in the Auckland international arrivals market continued to contribute to higher than expected passenger demand on the CHC-AKL route, and potentially some regional routes, a difference of circa 55,000 passengers.
- There was a significant increase in regional route load factors to an average of at least 80% on many routes (noticeably Hamilton, Nelson and Invercargill). It is unclear whether this is due to redesigned schedules by Air New Zealand, yield management or strong economic growth, but many regional routes had record high load factors in the 2018 Disclosure year compared to any recent history. This resulted in around 40,000 more regional passengers than forecast.

Further analysis of the demand variances is included in Schedule 16.

This above forecast level of passenger movements has resulted in revenue* from priced services being some $2.3m (or 2.8%) above the PSE3 pricing forecast.

** revenue includes check-in counter revenue and is calculated as the posted price multiplied by the actual volumes to ensure relevant comparison with the forecasts. Excludes the impact of incentives which are discussed below.*

Non-Priced Revenue

Other regulated services, or "non-priced" services, comprise leasing arrangements negotiated with individual customers, rather than being priced under the AAA consultation regime.

These leases are entered into outside of the 5-yearly regulatory pricing period, often have a long term, and are subject to normal market negotiation with individual customers.

For the 2018 Disclosure year, CIAL's revenue from non-priced services has exceeded the PSE3 pricing forecast by approximately $1m. The majority of this variance reflects higher than forecast rental income from the freight distribution centre.

At the time the lease income from the freight distribution centre was forecast, the final level of construction cost (to which the lease income is linked) was not finalised due to some scope changes and subsequent construction cost inflation. In addition, the original forecast was made prior to full knowledge of the outcome from commercial rental incentives negotiated in respect to the individual tenancies in the centre.

Operating Expenditure *

Annual disclosure reports under the information disclosure regime require us to report our actual operational expenditure for the current disclosure year against that forecast for that year during the PSE3 price setting process. This provides interested parties with a measure of our efficiency, and prompts more informed discussions about what is causing departures from our forecasts made in 2016 and 2017.

In this 2018 Disclosure we discuss our operating expenditure variances in Schedules 6 and 7.

As explained in these schedules the operating costs for the 2018 Disclosure year were slightly above that forecast when setting prices, at a total of $35.5m compared to a forecast of $35.2m.

** note that operating expenditure excludes incentives which are discussed in more detail below.*

In summary, the key reasons CIAL incurred higher operating costs than forecast were beyond its control and include:

- Insurance and rate increases have been greater than we forecast (noting that CIAL's insurance premium increases came as result of increases by global insurers in the wake of severe losses incurred by insurers in 2017); and
- Aviation security charges (charged to CIAL by Avsec, a separate agency run as part of the Civil Aviation Authority) have been higher than forecast.

This has been offset to some extent by a greater than forecast reduction in overall maintenance and related personnel costs, following the outsourcing of maintenance services to City Care. This outsourcing was forecast and considered during CIAL's PSE3 consultation, but resulted in greater savings than initially expected. CIAL is committed to increasing its operating efficiency throughout PSE3 and beyond.

Operating Efficiency

In our annual disclosures, we have consistently noted that CIAL is continually seeking to improve its operating efficiency both for ourselves and our airline customers.

Accordingly, operating efficiency remains a particular area of focus for CIAL. It is a specific area of attention in the on-going master planning processes, which seek to maximise the productivity of our infrastructure and minimise the associated operating costs.

Several initiatives have continued and been progressed over the 2018 Disclosure year including:

- *Strategy-Led Asset Management* – a move towards more proactive asset maintenance works and the development of more detailed terminal and infrastructure asset management plans. Together with our contractor, City Care, we will proactively identify preventative and innovative maintenance to keep longer term maintenance costs down.
- *Energy Efficiency* – a continued focus on energy efficiency and a reduction in energy consumption, including:
  - Implementing a highly efficient artesian water heating and cooling energy centre in the Integrated Terminal. Plans are currently developed to extend this throughout the older international terminal facility;
  - The continuation of replacing older lighting technologies to LED lighting throughout the terminal.
  - Continuous monitoring of terminal building energy consumption.

- *Gate Ground Power* – gate ground power allows aircraft to arrive and literally plug in to power, significantly reducing fuel use for airlines and CO^2 emissions. Our infrastructure plan will see ground power rolled out gradually to all jet gates and CIAL is about to begin the next stage of development. This will add another eight stands to the existing five – a financial and environmental win to both the airlines and the Airport.

Incentives

CIAL undertakes two forms of market stimulation:

- Direct expenditure on general marketing activities, covering aeronautical development and marketing, including promotion of destinations and routes, and general marketing of the Airport itself, and
- Bilateral arrangements with airlines that agree rebates (or similar) to encourage the establishment of new services or capacity.

Only the costs of the first kind of activity were included in CIAL's PSE3 price setting model (as operating costs), as preferred by airlines in previous price setting rounds. For the purposes of pricing disclosure, CIAL is required to disclose both forms of incentives and its disclosures reflect that requirement.

Both kinds of market stimulation activities are considered when forecasting demand. The demand forecasts were made based on these market stimulation activities occurring, both marketing spend and agreed arrangements. As the Commission identified, "Christchurch Airport has absorbed the cost of incentives under existing contracts but allowed for the effect of currently forecast incentive spend on its forecasts of demand. This is to the benefit of airlines who gain from (without paying for) potentially lower unit costs as a result of higher demand."[4]

CIAL's view is that the active promotion of growth in traffic through the Airport – including through the active encouragement of new services / routes – is also in the long-term interests of passengers – its ultimate customers.

Pricing incentives are challenging to accommodate in a forward-looking cost-based price determination. However, without recognition of these costs, the apparent return will overstate the true return and the incentive / ability of an airport to promote growth will diminish.

In respect to the 2018 Disclosure year the pricing incentives forecast in the PSE3 price setting disclosures reflected the rebates forecast under agreements in place at the end of PSE2, coupled with assumptions around offered and extended agreements that would be required to meet capacity and demand forecasts.

The actual incentives incurred for the 2018 Disclosure year were slightly below that forecast when setting prices, at a total of $5.0m compared to a forecast of $5.6m.

In summary, the key variances between actual and forecast incentives were as follows:

- *Increase to incentive spend compared to forecast*: It should be noted that incentives are generally negotiated to increase capacity (i.e. aircraft/seats), either via a new route or to increase frequency on an existing route. CIAL offered the incentives forecast but also received a request for support related to unscheduled additional summer frequencies on some existing long haul international routes. These additional frequencies were not originally scheduled when CIAL made its incentive and demand forecasts. Un-forecast commercial arrangements were negotiated to support the additional frequencies.

[4] Final Report at [B98]

- *Decrease to incentive spend compared to forecast:* CIAL forecast incentive amounts that it believed would be necessary to meet the growth in capacity (i.e. aircraft/seats) included in the international and domestic demand forecasts made and consulted on for PSE3 (assuming standard load factors experienced historically by CIAL). A portion of these incentives were not taken up by some airlines and in fact overall seat capacity in the 2018 Disclosure year was lower than forecast. Despite the lower capacity experienced, there has been a greater than forecast number of total passengers given higher than forecast load factors across the capacity as a whole.

Capital Expenditure

When consulting on and setting our aeronautical charges in 2016 and 2017, we consulted on the capital expenditure we had planned for the period to June 2022. Changes were made to our planned capital expenditure during the consultation process, and the finalised capital expenditure plan was presented in our PSE3 disclosure report.

Annual disclosure reports like this one are an opportunity to report on how our planned capital investments are progressing.

In respect to the 2018 Disclosure year, CIAL's actual capital expenditure at $15.3m was behind the forecast amount of $19.7m. However, assets commissioned in the 2018 Disclosure year (i.e. brought into the regulatory asset base) at $19.1m were essentially in line with PSE3 forecasts.

One of the key challenges in respect to the accurate forecasting of capital expenditure relates to the timing of the actual cashflows related to the major capital projects identified. This can be influenced by a number of factors out of the Airport's control including the availability of contractors and other project management resource commitments across the Airport campus as a whole. This was the case in the 2018 Disclosure year, but CIAL still expects to undertake the complete capital expenditure envelope across the full regulatory period.

The explanation of variances in capital expenditure spend between actual and forecast are discussed in detail at Schedule 6. Key variances of note include:

- *Jet Ground Power (-$1.5m)* - the next stage of investment in jet ground power was forecast to occur in the 2018 Disclosure year, however due to resourcing constraints has been delayed. CIAL remains committed to increasing the number of stands able to offer this service which will see a catch up of spend in the 2019 and 2020 Disclosure years.
- *Airfield Pavement Works (+$1.5m)* - when estimating the forecast capital expenditure during the PSE3 price setting process, the estimate of airfield pavement works was based on CIAL's 20-year Asset Management Plan. In each individual year, a more detailed assessment is made of the specific maintenance required on the airfield sealed surfaces which will usually result in a variance from the long-term estimates (with overs and unders each year) based on specific circumstances observed. Whilst the amount spent in the 2018 Disclosure year was $1.5m above forecast, CIAL remains of the view that the spend over the PSE3 pricing period will remain in line with the original forecast.
- *Taxiway Widening (-$3.4m)* - at the time of consulting on the capital expenditure forecasts for PSE3, CIAL was of the view that this work would be completed in the 2018 Disclosure year. However, the work on this project was substantially completed ahead of forecast in the prior 2017 Disclosure year (noting it had not been included in PSE2's capital expenditure forecasts so no double counting occurred).

- *Hangar 4 Removal (-$2.2m)* - whilst this project has been commenced, it is not as far advanced as originally forecast during the 2018 Disclosure year. During the course of commencing the demolition project it has been identified that the buildings and soil contain significant quantities of asbestos and other contaminated material, which has slowed the progress of the work.
- *Gate 15 (+$4.0m)* - the development of Gate 15 has been discussed earlier in this summary. No specific forecast was made for this project in our PSE3 process as the expenditure was not anticipated at that time. However, CIAL did indicate during consultation that terminal reconfiguration projects would be necessary over PSE3 to ensure the most efficient and productive use of the terminal. This is an example of the type of project that was highlighted, although terminal reconfiguration work was not forecast to occur until later into PSE3.

  Substantial customers were consulted about this project, which they supported, before and during the commissioning process.

We believe that CIAL is investing efficiently and only incurs expenditure where required, while at the same time responding to the changing needs of its substantial customers. There will always be some degree of variation between actual and forecast expenditure and the information disclosure regime will ensure that such variations are transparent.

Depreciation

CIAL set its PSE3 prices using, and has used in this disclosure, a tilted annuity method of depreciation. This method was chosen with expert input from Incenta, and is intended to increase transparency compared to the approach used in PSE2.

CIAL's substantial customers and the Commission supported CIAL's use of tilted annuity depreciation in price setting.

9. Returns

CIAL's now completed PSE3 disclosures required an assessment of forecast profitability using a forward-looking internal rate of return approach ('IRR') for that 5-year period based on an opening investment value (including a carry forward adjustment mechanism), a forecast closing investment value and forecast cash-flows over the duration of PSE3.

Conversely, CIAL's backward-looking profitability requirement, as required by the current regulatory Schedule 1, does not require the disclosure of a backward-looking IRR but instead a straight annual return on investment calculation.

The Commission has noted an intention to address this difference in approach by changing the backward-looking disclosure requirements (i.e. Schedule 1) before Wellington International Airport Limited completes its PSE4 event in 2019.

Consequently, the Commission considers that having CIAL comply with Schedule 1 would require disclosure of information which is not useful for interested parties. Hence CIAL has been granted an exemption from completing Schedule 1 for Disclosure years 2018 and 2019.

This exemption is conditional on CIAL including within its 2018 disclosures, an annual IRR type return calculated consistently with the approach used for our pricing methodology.

Consequently, in these disclosures, CIAL has provided a 'free-form' disclosure (shown as Schedule 1) consistent with how the forecast internal rate of return was disclosed in the PSE3 pricing disclosure Schedule 18.

Actual Internal Rate of Return

As discussed above, the key focus for profitability assessment under PSE3 is based on an internal rate of return approach ('IRR') using an opening investment value (including a carry forward adjustment mechanism), a forecast closing investment value and forecast cash-flows during each year (as also set out in detail in Attachment C to the Commission's Final Report).

Discussion around revenue, operating expenditure and capital expenditure outcomes for the 2018 Disclosure year is outlined above in this summary.

In respect to the relevant investment value for assessing the internal rate of return, it should be noted that this includes a carry forward adjustment.

CIAL has identified an anomaly, limited to PSE2 only, related to the allocation of "implied depreciation" to individual assets. To correct this anomaly, CIAL has used an opening RAB adjustment in the relevant 'free-form' disclosure. A detailed explanation of the anomaly and calculation is included in CIAL's PSE3 Price Setting Disclosure document, and use of the adjustment was reviewed by Deloitte during CIAL's price consultation, at airlines' request.

This carry-forward adjustment is depreciated using tilted annuity depreciation over the average life for each sub-set of assets.

The actual annual IRR for the 2018 Disclosure year has been calculated at 5.94%. This compares to the PSE3 forecast annual IRR for the 2018 Disclosure year of 5.31%.

As noted above the main driver of this above forecast outcome has been the better than forecast passenger numbers and hence revenue from priced services based on full charges.

As previously discussed, CIAL's overall return incorporates the costs of pricing incentives to generate the relevant passenger demand, which while substantial in the 2018 Disclosure year ($5m), were slightly below forecast as explained above.

CIAL believes that it is important to consider performance and returns over time, given that airports are long term cyclical assets.

The 2018 Disclosure year is the first year of the current PSE3 pricing period, and the annual IRR of 5.94% is below that forecast for all 5 years of PSE3 at 6.65%.

Hence it will be most relevant to track the progress of the accumulated IRR return over all five years of PSE3, noting that there could be under and over forecast performance for a variety of reasons (many of which are outside the Airport's control, as noted by the Commission in relation to demand) during each of those years in isolation.

10. Service Quality

Passenger Satisfaction

CIAL's integrated terminal was opened in April 2013 to create an efficient terminal that places service quality and customer experience at its centre.

Passenger satisfaction is of a high level at the Airport and CIAL commissions quarterly benchmark surveys from an independent international agency. These reports provide information to better understand:

- How passengers rate an airport's services;
- How an airport compares to others in its region and globally by traffic type, size, region etc.;
- Which aspects are of particular importance for a specific airport; and
- How passenger's perceptions and priorities are evolving over time.

CIAL consistently ranks as the best of nine major Australasian airports across several service categories. As the Commission has identified, CIAL's 2017 average passenger survey ratings of 4.4 (domestic) and 4.3 (international) on a 1-5 scale, were the highest ratings of the regulated New Zealand airports.[5] Those same average scores were also achieved for the 2018 Disclosure year.

CIAL was named one of the world's best airports by winning the Skytrax award for the Best Regional Airport for Australia/Pacific.

The feedback from CIAL's customers continues to emphasise that the quality of CIAL's services meets their demands and CIAL's investment in new terminal facilities has addressed previous areas identified for improvement.

We remain proud of and value this feedback. Excellence in customer service delivery is an imperative for CIAL and a key performance measure.

Many instances of great passenger experience have been communicated to CIAL. These experiences are regularly published to all staff across the campus - including CIAL, our airline customers and border agencies, through several avenues, including Airport Voice and the 2018 Annual Report (both of which are designed to share an integrated message for the whole Airport and its many contributors).

Specific examples of customer experience initiatives that have been implemented in 2018 include:

- As noted earlier, as part of our ongoing terminal enhancements, CIAL has developed Gates 15A, B and C to enable multiple access for turboprop aircraft to cater for strong regional growth, while reducing volumes at the near-capacity regional lounge. 75% of the seating in this area has device charging access and the area seats more than 150 people.
- There has been continued development of terminal areas to enhance customer journeys, including a Kids' Zone and stretch and relaxation area.
- CIAL has made ongoing improvements to digital wayfinding, as technology evolves.

As noted above a key source of information on service quality is the ASQ customer satisfaction surveys. The survey data detailed in Schedule 14 demonstrates a continuing high level of passenger satisfaction for both the domestic and international terminals.

[5] Final Report at [B160].

The following chart demonstrates the trends in passenger satisfaction over the past 6 years.

When reviewing the response scores for international passengers, it should be noted that many of the international facilities pre-date the building of the new integrated terminal, coupled with the fact that there is limited survey data for international business travellers. Wherever there are fewer than 10 respondents the ASQ does not average them and leaves them blank as the results are statistically weak.

Reliability & Capacity Utilisation

In this 2018 Disclosure we continue with our annual reporting of reliability and capacity utilisation statistics in Schedules 11-13 (including statistics about on time departure delay - as provided by our airline customers – where available).

- The Airport continues to show high levels of reliability for key infrastructure. Any on-time performance issues are discussed with the individual airlines as and when they occur, and corrective action is commenced to reduce the occurrence of these events.
- Growth in ATR and other turboprop movements continues to put pressure on the capacity in the Regional Lounge and related apron area on busy days. CIAL's primary objective is therefore to increase the productivity and efficient use of CIAL's existing terminal asset, as evidenced by the development of Gate 15 to enable its use for turboprop aircraft (which are now often used).

11. Productivity and Efficiency

Productivity and efficiency is one of CIAL's key long term goals and a key focus of Part 4 of the Commerce Act and the Information Disclosure regime.

CIAL's approach to its long-term pricing objectives, as articulated in its PSE3 price setting process, reflects this primary goal, in particular through single per passenger prices.

CIAL's long term objective is to increase the productivity and efficient use of its existing assets, without the need for substantial additional capital costs. Airlines agreed with this approach during consultation.

Existing Terminal Asset

The integrated terminal was designed to provide increased productivity into the future, without the need for substantial additional capital expenditure, through its ability to "swing" gates and parts of the terminal between domestic and international services.

CIAL intends to further utilise the integrated nature of the terminal to serve growing and changing demand and improve passenger service and experience.

Innovation

CIAL's innovation focus has two limbs:

- A strong focus on facilitating innovation by airline customers, both by being open to and working with its customers on operational innovations and by setting its prices in a way that facilitates innovation;
- Innovation also informs CIAL's approach to its business decisions, with a concentration on advances in digital technology (specifically automation, artificial intelligence and virtual/augmented reality). These advances present opportunities to redefine our relationship with passengers and users of the Airport.

Examples of CIAL's recent innovations include:

- Encouraging and harnessing innovation that will allow airlines to flexibly switch between domestic and international services through the use of 'swing' gates and lounges;
- The creation of a collaborative focus group to define the use-case and assess business case viability for various forms of autonomous transportation across the Airport campus – both airside and landside;
- Investigation of robotic process automation in the areas of baggage systems and Airport Services;
- Application of virtual reality/augmented reality in potentially hazardous, expensive and complex fire-fighting environment;
- Investigation of a proof of concept to use simulation and modelling techniques to better predict the Airport's day of operations scenarios;
- Partnership with University of Canterbury to monitor Goose populations and flight paths to build predictive data model and focus bird hazard management activity.

12. Health, Safety, Security and Environment

After over 100 years, safety is an embedded feature in aviation and the culture of those working in aviation. People are the most valuable area of our business and protecting them, and those around us, is always the first step in anything we do.

Safety is a priority and CIAL remains committed to developing, implementing, maintaining and constantly improving safety culture, risk management and safety management systems. Our safety focus includes the public, customers, suppliers, tenants, contractors and sub-contractors.

CIAL's approach to sustainability is centred in the Maori concept of kaitiakitanga (responsibility, care and guardianship). CIAL's focus is to seek out, develop and implement enduringly sustainable processes for its business and the Airport. CIAL's sustainability strategy sees CIAL currently focusing its efforts in four key areas being – Water, Energy, Waste and Carbon.

Examples of some of CIAL's key achievements in this area include:

- *Ground Power* – CIAL has embarked on a project to facilitate ground based power at certain gates. This has significantly reduced climate change emissions, aircraft fuel usage and will lower airlines' operating costs at the Airport (e.g. plugging in an A380 on each visit saves about 1,000kg of fuel and 283kg of carbon emissions). Ground Power will be installed to a further eight stands by the end of the 2020 Disclosure year.
- *Water* – CIAL has installed smart meters in the terminal to measure water use in real time. In the 2018 Disclosure year, we have established a benchmark for water use per passenger and by the 2020 Disclosure year aim to have achieved a 10% saving on this benchmark.
- *Waste Management* – CIAL has set an objective to divert 55% of all Airport waste away from landfill by the end of the 2020 Disclosure year, to reduce the impact of waste on the environment and encourage efficient recycling. In the 2018 Disclosure year, diversion rates improved to 47.7%.
- *CIAL has made a commitment to transition its light vehicle fleet to electric vehicles by 2025* - In June 2018 CIAL also became the first business in the South Island to sign up to the global movement, EV100 in which members commit to becoming 100% electric by 2030. The Airport also hosts two EV sharing schemes and charging stations for EVs are also available in our car parks.
- *Safety Leadership* – in 2018 CIAL began a journey to shift from a protection focus to a performance focus. The key to taking our safety approach from protection to performance is leadership. Through this new framework our safety leaders will demonstrate trust, become curious, develop better questions and will be solutions focused. CIAL has also developed its own 'safety leadership conversation' smart phone app. It is built on safety performance principles and shares 'stories of work' in order to understand what is working well and any barriers to performance.
- CIAL became a certified Airport Council International - Airport Carbon Accreditation Programme member.
- CIAL developed and implemented a world leading method of measuring and managing engine testing noise.
- The airport partnered with Fulton Hogan on their PlastiPhait product (an asphalt alternative made from previously unrecyclable oil containers) by installing this product outside the entrance to the fire station (on the airfield).
- CIAL was the winner of the Efficiency Champion category at the NZI Sustainable Business Network Awards.

OVERALL COMMENT

The purpose of Part 4 information disclosure regulation of airports will be met if consumers are fully informed about the performance of airports and airports are unlikely to target excessive profits (as the Commission has identified CIAL is unlikely to be doing for its priced services in PSE3).

Any assessment of airport performance, in particular promoting the long-term benefit of consumers, is best achieved by contextual analysis which considers service quality, efficiency, innovation and investment as well as financial performance.

We are committed to operating an airport that provides high quality, innovative, safe and efficient services for an appropriate price, and we welcome the opportunity to disclose information knowing it will help us perform to the highest standard.

It remains clear that our Airport has delivered, and will continue to deliver, an enhanced passenger and airline experience, and a significant social and economic benefit to our country by delivering for both Christchurch and the regions of the South Island.

We also know that we must compete very hard for our air networks. International tourism underpins a good portion of our domestic air networks and most of our international air networks. Consequently, we will continue to take a lead role in stimulating tourism traffic to Christchurch and the wider South Island.

This involves working with agencies on developing strategies to realise opportunities to drive social, commercial and economic outcomes for communities through a combination of delivering on the anchor projects and implementing a co-ordinated visitor strategy that covers destination management and attractions across all sectors of the visitor economy.

In addition, we continue to lead the "South" program which is active with all regions in the South Island, growing its profile in key tourism markets.

Our longer-term passenger growth plan is to build from the position reported in this 2018 Disclosure of 6.87 million passengers to 8.5 million passengers annually by 2025. Growth requires significant and at times lengthy investment with our tourism partners, but the goal is and must be achieved to the benefit of all stakeholders.

This disclosure report may prompt questions from our customers or other stakeholders, and CIAL welcomes all enquiries. Our objective is to ensure that all our stakeholders have a good understanding of all facets of our operations, the market we operate in and our long-term objectives.

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

Company Name	Christchurch International Airport Ltd
Disclosure Date	30 November 2018
Disclosure Year (year ended)	30 June 2018
Pricing period starting year (year ended) [1]	30 June 2018

[1] *Pricing period starting year of the pricing period in place at the end of the disclosure year. Is used in clause b schedule 6.*

Templates for schedules 1–17, 25 (Annual Disclosure)
Version 4.0. Prepared 21 December 2017

Table of Contents

Schedule	Description
1	REPORT ON RETURN ON INVESTMENT
2	REPORT ON THE REGULATORY PROFIT
3	REPORT ON THE REGULATORY TAX ALLOWANCE
4	REPORT ON REGULATORY ASSET BASE ROLL FORWARD
5	REPORT ON RELATED PARTY TRANSACTIONS
6	REPORT ON ACTUAL TO FORECAST PERFORMANCE
7	REPORT ON SEGMENTED INFORMATION
8	CONSOLIDATION STATEMENT
9	REPORT ON ASSET ALLOCATIONS
10	REPORT ON COST ALLOCATIONS
11	REPORT ON RELIABILITY MEASURES
12	REPORT ON CAPACITY UTILISATION INDICATORS FOR AIRCRAFT AND FREIGHT ACTIVITIES AND AIRFIELD ACTIVITIES
13	REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES
14	REPORT ON PASSENGER SATISFACTION INDICATORS
15	REPORT ON OPERATIONAL IMPROVEMENT PROCESSES
16	REPORT ON ASSOCIATED STATISTICS
17	REPORT ON PRICING STATISTICS

Disclosure Template Guidelines for Information Entry

Internal consistency check | OK

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

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

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

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

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

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

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2018**

SCHEDULE 1: REPORT ON RETURNS

ref *CIAL ExemtionVersion*

1a: Exemption to Default Report on Returns

Explanation of this schedules content

As outlined in Section 9 of the Executive Summary accompanying these disclosure statements, the Commission considers that having CIAL comply with Schedule 1 would require disclosure of information which is not useful for interested parties. Consequently the Commission has granted CIAL a conditional exemption from the completion of default schedule 1 of the ID Determination. for Disclosure years 2018 and 2019. This exemption is conditional on CIAL including within its 2018 Disclosures, an annual IRR type return calculated consistently with the approach used for our pricing methodology.

Consequently, in these disclosures, CIAL has provided a 'free-form' disclosure (shown as Schedule 1) consistent with how the forecast internal rate of return was disclosed in the PSE3 pricing disclosure Schedule 18.

In section 1b(ii), we have replicated the calculations for an Internal Rate of Return consistent with our pricing disclosure statement (section 18(i)), with section 1b(i) being our 2018 annual information disclosure of this same return information.

In section 1d(ii), we have replicated the Return on Investment from our pricing disclosure statement calculations (section 18(iv)), with section 1d(i) being our 2018 annual information disclosure of this same return information.

Sections 1b(i) and 1d(i) present our actual returns for Year 1 of PSE3 and are consistent with sections 1b(ii) and 1d(ii) which are our PSE3 forecast returns. In support of the return methodology covered in this schedule; the cash flow timings for revenue and expenditure and carry forward adjustments have been calculated and/or applied consistently with our calculated and/or applied pricing disclosure statement information (sections 1b(iii) to 1b(vi)).

In terms of Audit NZ's independent auditor's report the Price Setting Event details of this schedule, sections 1b(ii), 1b(vi), 1d(ii), and rows 48 to 49, are unaudited.

1b: Internal Rate of Return

($000)

1b(i): Disclosure Period to Forecast Year/Upturn Year Internal Rate of Return

			Disclosure Period Start	Pricing Period Start	
		Cash flow date->	**1 Jul 17**	**1 Jul 17**	
		Opening RAB / forecast opening RAB	521,432	524,373	
		Opening carry forward adjustment / forecast opening carry forward adjustment	8,789	7,806	
		Opening investment value / forecast opening investment value	530,221	532,179	
			Disclosure Period Ending	**Pricing Period Ending Year 1**	**Pricing Period Ending Year 2**
			30 Jun 18	**30 Jun 18**	**30 Jun 19**
		Cash flow date->	**30 Dec 17**	**30 Dec 17**	**30 Dec 18**
		Expenditure / forecast expenditure cash flow timing			
less		Assets commissioned / forecast assets commissioned	19,065	19,692	12,623
plus		Asset disposals / forecast cash flow from asset disposals	1,053	–	–
less		Total operational expenditure / forecast total operational expenditure	40,523	40,765	37,921
less		Unlevered tax / forecast unlevered tax	10,711	8,689	10,359
		Cash flow date->	**2 Feb 18**	**2 Feb 18**	**2 Feb 19**
		Revenue / forecast revenue cash flow timing			
plus		Total revenue requirement / forecast total revenue requirement	94,447	91,157	94,863
		Cash flow date->	**30 Jun 18**	**30 Jun 18**	**30 Jun 19**
		Closing RAB / forecast closing RAB	527,404	530,386	534,128
		Closing carry forward adjustment / forecast closing carry forward adjustment	8,789	7,823	7,823
		Closing investment value / forecast closing investment value	536,193	538,209	541,951
		Post-tax IRR—actuals—Year 1	5.94%		
		Post-tax IRR—pricing setting event 3—Year 1 (only)		5.31%	
		Post-tax IRR—pricing setting event 3—Year 2 (only)			7.13%

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2018

SCHEDULE 1: REPORT ON RETURNS (cont)

ref: CIAL ExemtionVersion

1b(ii): Price Setting Event 3 Internal Rate of Return

			Pricing Period Start
		Cash flow date->	1 Jul 17
	Forecast opening RAB		524,373
	Forecast opening carry forward adjustment		7,806
	Forecast opening investment value		532,179

			Pricing Period Ending Year 1	Pricing Period Ending Year 2	Pricing Period Ending Year 3	Pricing Period Ending Year 4	Pricing Period Ending Year 5
			30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
		Cash flow date->	30 Dec 17	30 Dec 18	31 Dec 19	30 Dec 20	30 Dec 21
	Forecast expenditure cash flow timing						
less	Forecast assets commissioned		19,692	12,623	21,141	11,503	17,158
plus	Forecast cash flow from asset disposals		–	–	–	–	–
less	Forecast total operational expenditure		40,765	37,921	38,630	39,385	40,157
less	Forecast unlevered tax		8,689	10,359	12,032	13,066	14,879
		Cash flow date->	2 Feb 18	2 Feb 19	3 Feb 20	2 Feb 21	2 Feb 22
	Forecast revenue cash flow timing						
plus	Forecast total revenue requirement		91,157	94,863	99,044	103,303	108,500

		30 Jun 22
	Cash flow date->	
	Forecast closing RAB	545,297
	Forecast closing carry forward adjustment	7,823
	Forecast closing investment value	553,120

	Forecast post-tax IRR—All Years	6.65%	
	Forecast post-tax IRR—Years 2 to 5		7.05%

1b(iii): Cash Flow Timing Assumptions

	CIAL Disclosure	CIAL Pricing	Default Assumption
Cash flow timing—revenues—days from year end	148	148	148
Cash flow timing—expenditure—days from year end	182	182	182

1b(iv): Carry Forward Adjustments

Explanation of actual and forecast adjustments

The carry forward adjustments are in respect to an anomaly, limited to PSE2 only, that relate to the allocation of implied depreciation. To correct this anomaly CIAL has used an opening RAB adjustment in these disclosures, under the mechanism the Commission added during its review of the Input Methodologies. A detailed explanation of this anomaly was included in CIAL's PSE3 price setting disclosures published in August 2017.

The Forecast Opening Carry Forward Adjustment is what was included in our PSE3 price setting disclosures and relates to the implied depreciation correction based off a 30 June 2017 forecast closing RAB value (when PSE3 was still in the consultation phase).

The Actual Opening Carry Forward Adjustment is the final implied depreciation correction calculation based on CIAL's 30 June 2017 closing RAB value, as recorded within the last disclosure statement of PSE2 (2017 Disclosure year).

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 1: REPORT ON RETURNS (cont)

ref | CIAL ExemtionVersion

1b(v): Actual Opening Carry Forward Adjustment

	Actual carry forward adjustments	Closing Adjustment - Previous Price Setting Event PSE2	Opening Adjustments - Current Price Setting Event PSE3	Total Opening Adjustments
104	Default revaluation gain / loss adjustment	–	–	–
105	Risk allocation adjustment	–	–	–
106	Other carry forward adjustments	8,789	–	8,789
107	Opening carry forward adjustment	8,789	–	8,789

1b(vi): Forecast Opening Carry Forward Adjustment

	Forecast carry forward adjustments	Closing Adjustment - Previous Price Setting Event PSE2	Opening Adjustments - Current Price Setting Event PSE3	Total Opening Adjustments
110	Default revaluation gain / loss adjustment	–	–	–
111	Risk allocation adjustment	–	–	–
112	Other carry forward adjustments	7,806	–	7,806
113	Opening carry forward adjustment	7,806	–	7,806

1c: Deductible Interest and Interest Tax Shield

116	Opening RAB	521,432
117	Debt leverage assumption (%)	19.00%
118	Cost of debt assumption (%)	4.00%
119	Notional deductible interest	3,963
120	Tax rate (%)	28.00%
121	Notional interest tax shield	1,110

1d: Return on Investment

1d(i): Disclosure Period Return on Investment

			Disclosure Period Ending 30 Jun 18
126		Revenue for services applicable to the price setting event	81,288
127	*plus*	Lease, rental and concession income	13,159
128	*plus*	Other operating revenue	–
129		Total revenue requirement	94,447
130		(excluding assets held for future use revenue)	
132	*less*	Total operational expenditure	40,523
133	*less*	Regulatory depreciation	19,859
134	*less*	Unlevered tax	10,711
135	*plus*	Total revaluations	7,741
137		Regulatory profit / (loss)	31,094
139		Regulatory investment value	530,438
141		ROI—comparable to a post tax WACC	5.86%
142		Post-tax WACC	6.19%

			Regulated Airport	Christchurch International Airport Ltd			
			For Year Ended	30 June 2018			
SCHEDULE 1: REPORT ON RETURNS (cont)							
ref	*CIAL ExemtionVersion*						
149	**1d(ii): Price Setting Event 3 Return on Investment**						
150			**Pricing Period Ending Year 1**	**Pricing Period Ending Year 2**	**Pricing Period Ending Year 3**	**Pricing Period Ending Year 4**	**Pricing Period Ending Year 5**
151			**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**
152		Forecast revenue for services applicable to the price setting event	79,036	82,552	86,515	90,559	95,531
153	*plus*	Forecast lease, rental and concession income	12,121	12,311	12,529	12,744	12,969
154	*plus*	Forecast other operating revenue	–	–	–	–	–
155		Forecast total revenue requirement	91,157	94,863	99,044	103,303	108,500
156		(excluding assets held for future use revenue)					
157							
158	*less*	Forecast total operational expenditure	40,765	37,921	38,630	39,385	40,157
159	*less*	Forecast regulatory depreciation	20,968	19,574	21,910	24,496	24,219
160	*less*	Forecast unlevered tax	8,689	10,359	12,032	13,066	14,879
161	*plus*	Forecast total revaluations	7,289	10,693	10,288	10,873	10,831
162							
163		Forecast regulatory profit / (loss)	28,024	37,702	36,760	37,229	40,076
164							
165		Forecast regulatory investment value	534,218	536,696	544,697	549,397	550,105
166							
167		ROI—comparable to a post tax WACC	5.25%	7.02%	6.75%	6.78%	7.29%
168		Post-tax WACC at pricing setting event 3	6.41%				
169							Page 4

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

ref | *Version 4.0*

2a: Regulatory Profit

($000)

Income			
	Airfield Charges	36,091	
	Terminal Charges	43,110	
	Counter Charges	2,087	
	Passenger Service Charges	–	
	Lease, rental and concession income	13,159	
	Other operating revenue	–	
	Net operating revenue		94,447
	Gains / (losses) on sale of assets	–	
	Other income	152	
	Total regulatory income		94,599
Expenses			
	Operational expenditure:		
	Corporate overheads	7,930	
	Asset management and airport operations	30,392	
	Asset maintenance	2,201	
	Total operational expenditure		40,523
Operating surplus / (deficit)			54,076
	Regulatory depreciation		19,859
plus	Indexed revaluation	7,741	
plus	Periodic land revaluations	–	
	Total revaluations		7,741
Regulatory profit / (loss) before tax			41,958
less	Regulatory tax allowance		9,729
Regulatory profit / (loss)			32,228

Commentary on Regulatory Profit

The table below shows a comparison between the forecast regulatory profit for Year 1 of PSE3 (as disclosed in CIAL's PSE3 price setting disclosure dated 14 August 2017) and the actual regulatory profit for the 2018 Disclosure year as outlined in this schedule. The forecast regulatory profit for Year 2 of PSE3 is also shown in the far-right column, as an indication of the forecast for the upcoming 2019 Disclosure year.

Component	PSE3 Forecast Year 1	Actuals (this schedule)	Variance	PSE3 Forecast Year 2
Airfield Charges	$ 34,878	$ 36,091	$ 1,213	$ 36,376
Terminal Charges	$ 42,147	$ 43,110	$ 963	$ 44,105
Counter Charges	$ 2,011	$ 2,087	$ 76	$ 2,071
Lease, Rental and Concession Income	$ 12,121	$ 13,159	$ 1,038	$ 12,311
Other Income	$ -	$ 152	$ 152	$ -
Total Regulatory Income	$ 91,157	$ 94,599	$ 3,442	$ 94,863
Total Operational Expenditure	-$ 40,765	-$ 40,523	-$ 242	-$ 37,921
Operating Surplus / (Deficit)	$ 50,392	$ 54,076	$ 3,684	$ 56,942
Regulatory Depreciation	-$ 20,968	-$ 19,859	-$ 1,109	-$ 19,574
Total Revaluation	$ 7,289	$ 7,741	$ 452	$ 10,693
Regulatory Profit / (Loss) Before Tax	$ 36,713	$ 41,958	$ 5,245	$ 48,061
Regulatory Tax Allowance / Unlevered Tax	-$ 8,689	-$ 9,729	-$ 1,040	-$ 10,359
Regulatory Profit / (Loss) Before Tax	$ 28,024	$ 32,228	$ 4,204	$ 37,702

As a result of an above forecast level of passenger movements, revenue from priced services for the 2018 Disclosure year was $2.3m (or 2.8%) above the PSE3 pricing forecast. A detailed analysis of passenger movement variances is outlined in Section 8 of the Executive Summary accompanying these schedules.

Revenue from non-priced services exceeded the PSE3 pricing forecast by approximately $1m. This reflecting higher than forecast rental income from the freight distribution centre. Refer to Section 8 of the Executive Summary for further commentary.

Operating costs for the 2018 Disclosure year were slightly above that forecast when setting prices, at a total of $35.5m compared to a forecast of $35.2m (excluding incentives which are discussed in detail in Section 8 of the Executive Summary). The key reasons CIAL incurred higher operating costs than forecast were beyond its control and are discussed further in Section 8 of the Executive Summary.

This disclosure schedule incorporates the value of tilted depreciation as presented in our "Decision on the reset of aeronautical prices for the period 1 July 2017 to 30 June 2022" pricing disclosure document.

Further discussion in respect to regulatory depreciation and indexed revaluation variances is included within other schedules to these disclosure statements.

Tax Calculations

The Determination requires the calculation of the regulatory tax allowance to be that detailed within schedule 3a (a value of $-9,729m). However, for the PSE3 pricing forecasts, unlevered tax was calculated and published within our pricing disclosure document. To be consistent and to enable comparisons between our PSE3 forecasts and CIAL's actual regulatory profit performance - the below table replaces the regulatory tax allowance value with an equivalent actual unlevered tax value. Doing so reduces the regulatory profit to $+31.247m as against our PSE3 Year 1 regulatory profit forecast of $+28.024m (a variance of $+3.223m).

Component	PSE3 Forecast Year 1	Actuals (this schedule)	Variance	PSE3 Forecast Year 2
Regulatory Profit / (Loss) Before Tax	$ 36,713	$ 41,958	$ 5,245	$ 48,061
Unlevered Tax	-$ 8,689	-$ 10,711	$ 2,022	-$ 10,359
Regulatory Profit / (Loss)	$ 28,024	$ 31,247	$ 3,223	$ 37,702

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT (cont)

ref *Version 4.0*

2b: Notes to the Report

2b(i): Financial Incentives

Pricing incentives	4,972	
Other incentives	463	
Total financial incentives		5,435

2b(ii): Rates and Levy Costs

Rates and levy costs	2,208

2b(iii): Merger and Acquisition Expenses

Merger and acquisition expenses	–

Commentary

There were no merger and acquisition expenses.

CIAL undertakes two forms of market stimulation:

- Direct expenditure on general marketing activities, covering aeronautical development and marketing, including promotion of destinations and routes, and general marketing of the Airport itself; and
- Other - Bilateral arrangements with airlines that agree rebates (or similar) to encourage the establishment of new services or capacity.

Only the costs of the first kind of activity were included in CIAL's PSE3 price setting model (as operating costs), as preferred by airlines in previous price setting rounds. For the purposes of pricing disclosure, CIAL is required to disclose both forms of incentives and these disclosures reflect that requirement.

Further discussion around incentives incurred for the 2018 Disclosure year as compared to forecast is outlined in Section 8 of the Executive Summary accompanying these schedules.

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

ref | *Version 4.0*

3a: Regulatory Tax Allowance

ref					($000)
7		Regulatory profit / (loss) before tax			41,958
8					
9	*plus*	Regulatory depreciation	19,859		
10		Other permanent differences—not deductible	36	*	
11		Other temporary adjustments—current period	1,634	*	
12					21,529
13					
14	*less*	Total revaluations	7,741		
15		Tax depreciation	15,669		
16		Notional deductible interest	3,963		
17		Other permanent differences—non taxable	–	*	
18		Other temporary adjustments—prior period	1,366	*	
19					28,739
20					
21		Regulatory taxable income (loss)			34,748
22					
23	*less*	Tax losses used	–		
24		Net taxable income			34,748
25					
26		Statutory tax rate (%)	28.00%		
27		Regulatory tax allowance			9,729
28	** Workings to be provided*				

3b: Notes to the Report

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

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

Details of the tax differences are as follows:

- Other permanent differences: represent 50% of entertainment expenditure which are not deductible for tax purposes;
- Other temporary adjustments—current period: consist of personnel accruals that are not deductible in the year they are accrued and the cost of uniforms capitalised for tax purposes. In addition, there was a slight accounting loss as well as a tax gain on the transfer of assets to City Care Limited or out of the RAB;
- Other temporary adjustments—prior period: are the reversal of the previous year's accruals or a restated value**;

** Due to work in regards to Holiday Pay the 'Other temporary differences—current period' value is higher than the equivalent 2017 disclosure figure. To compensate for this the "Other temporary differences—prior period' value has changed, restated in this disclosure, to fairly represent the share of the Holiday Pay provision that would have been reported in our 2017 disclosure statements if it had been known at that time.

3b(ii): Tax Depreciation Roll-Forward

ref				
45		Opening RAB (Tax Value)	244,106	
46	*plus*	Regulatory tax asset value of additions	19,065	
47	*less*	Regulatory tax asset value of disposals	633	
48	*plus*	Regulatory tax asset value of assets transferred from/(to) unregulated asset base	–	
49	*less*	Tax depreciation	15,669	
50	*plus*	Other adjustments to the RAB tax value	241	
51		Closing RAB (tax value)		247,110

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

ref				
54		Tax losses (regulated business)—prior period	–	
55	*plus*	Current year tax losses	–	
56	*less*	Tax losses used	–	
57		Tax losses (regulated business)		–

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

Version 4.0

ref			Unallocated RAB *		RAB ($000)
8		**RAB value—previous disclosure year**	585,365		521,432
9	*less*				
10		**Regulatory depreciation**	23,343		19,859
11	*plus*				
12		Indexed revaluations	8,681	7,741	
13		Periodic land revaluations	–	–	
14		**Total revaluations**	8,681		7,741
15	*plus*				
16		Assets commissioned (other than below)	20,536	19,065	
17		Assets acquired from a regulated supplier	–	–	
18		Assets acquired from a related party	–	–	
19		**Assets commissioned**	20,536		19,065
20	*less*				
21		Asset disposals (other)	565	284	
22		Asset disposals to a regulated supplier	–	–	
23		Asset disposals to a related party	1,259	769	
24		**Asset disposals**	1,824		1,053
25					
26	*plus*	**Lost and found assets adjustment**	–		–
27					
28		**Adjustment resulting from cost allocation**			78
29					
30		**RAB value †**	589,415		527,404

31 **Commentary**

This disclosure schedule incorporates the value of tilted depreciation as presented in our "Decision on the reset of aeronautical prices for the period 1 July 2017 to 30 June 2022" pricing disclosure document.

Regulatory depreciation was $-23.343m ($-24.866m) and $-19.859m ($-20.968m) for the Unallocated and Allocated RAB respectively (equivalent PSE3 forecast values are shown within the brackets). Through the PSE3 price setting process, 2 of the 3 key input parameters for tilted depreciation were set which will remain static for all 5 years of PSE3. These being a Growth rate of +1.50% and a WACC rate (real) of +4.74%. These values, as well as the +1.50% CPI rate, have been used to calculate the aforementioned regulatory depreciation.

Assets were indexed against a CPI rate of +1.50% as published by Stats NZ. This resulted in the Unallocated and Allocated RAB increases detailed above. For Year 1 of the PSE3 forecasts, CIAL applied a forecast CPI rate of +1.39% which provided for an adjustment of $+8.206m ($+0.475m) and $+7.289m ($+0.452m) in the Unallocated and Allocated RAB respectively (with actual to forecast variances shown within the brackets). If a forecast CPI rate of +1.50% had been used for the PSE3 forecasts, the forecast Unallocated and Allocated revaluations would have been $+8.855m ($-0.174m) and $+7.866m ($-0.125m) respectively.

Asset Changes
Key assets commissioned included the widening of the taxiways on the main runway and the reconfiguration of gate 15 which was made available for service in June 2018. Further discussion in respect to these projects is outlined in Section 8 of the Executive Summary accompanying these schedules.

The assets disposed of relate to the transfer of certain assets to City Care Limited (a related party) following CIAL entering into an agreement with City Care for the provision of asset maintenance services. This was accompanied by the transfer of some retained CIAL assets (land and buildings) now leased by City Care Limited, to non-regulated CIAL activities.

In the preparation of this schedule CIAL is restating a number of previous year balances. These are:
- 'Works Under Construction—previous disclosure year' values restated from $+10.564m to $+7.844m for Unallocated RAB and $+6.505m to $+7.372m for Allocated RAB;
- 'Asset Classes - RAB value—previous disclosure year' segmentation from $+112.367m, $+290.822m and $+10.358m to $+113.084, $+290.036m and $+10.425m for Seal Surfaces, Infrastructure and Buildings, and Vehicle, Plant and Equipment respectively;

** The 'unallocated RAB' is the total value of those assets used wholly or partially to provide specified services without any allowance being made for the allocation of costs to non-specified services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes land held for future use or works under construction.*

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

4b: Notes to the Report

4b(i): Regulatory Depreciation

		Unallocated RAB	RAB
	Standard depreciation	–	–
	Non-standard depreciation	23,343	19,859
	Regulatory depreciation	23,343	19,859

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

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

ref | *Version 4.0*

4b(ii): Non-Standard Depreciation Disclosure

Non-standard Depreciation Methodology	Depreciation charge for the period (RAB)	Year change made (year ended)	RAB value under 'non-standard' depreciation	RAB value under 'standard' depreciation
Tilted annuity depreciation method. CIAL's substantial customers and the Commerce Commission supported CIAL's use of tilted annuity depreciation in price setting.	19,859	2018	527,404	516,529

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

Summary of Change	Justification for change in depreciation methodology	Extent of customer disagreement and supplier response
CIAL set its PSE3 prices using, and has used in this disclosure, a tilted annuity method of depreciation.	The tilted annuity approach seeks to generate a levelised path based on expected growth in demand, applied at the asset level. CIAL considers that this method of depreciation is more transparent and has been used previously by the Commerce Commission when calculating Chorus' regulated copper network telecommunications charges.	CIAL's substantial customers and the Commerce Commission supported CIAL's use of tilted annuity depreciation in price setting.

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

CPI at CPI reference date—previous year (index value)	1,000
CPI at CPI reference date—current year (index value)	1,015
Revaluation rate (%)	1.50%

		Unallocated RAB		RAB	
	RAB value—previous disclosure year		585,365		521,432
less	Revalued land	–		–	
less	Assets with nil physical asset life	4,795		4,330	
less	Asset disposals	1,824		1,053	
less	Lost asset adjustment	–		–	
	Indexed revaluation		8,681		7,741

4b(v): Works Under Construction

		Unallocated works under construction		Allocated works under construction	
	Works under construction—previous disclosure year		7,844		7,372
plus	Capital expenditure	15,956		15,278	
less	Asset commissioned	20,536		19,065	
less	Offsetting revenue	–		–	
plus	Adjustment resulting from cost allocation				(784)
	Works under construction		3,264		2,801

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

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

ref | Version 4.0

4b(vi): Capital Expenditure by Primary Purpose

ref				
111		Capacity growth	11,035	
112	*plus*	Asset replacement and renewal	4,243	
113		Total capital expenditure		15,278

4b(vii): Asset Classes

ref			Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
116		RAB value—previous disclosure year	107,887	113,084	290,036	10,425	521,432
117	*less*	Regulatory depreciation	–	3,587	14,659	1,613	19,859
118	*plus*	Indexed revaluations	1,611	1,696	4,292	142	7,741
119	*plus*	Periodic land revaluations	–				–
120	*plus*	Assets commissioned	7	10,528	6,211	2,319	19,065
121	*less*	Asset disposals	161	–	135	757	1,053
122	*plus*	Lost and found assets adjustment	–	–	–	–	–
123	*plus*	Adjustment resulting from cost allocation	10	–	(86)	154	78
124		RAB value	109,354	121,721	285,659	10,670	527,404

** Corresponds to values in RAB roll forward calculation.*

4b(viii): Assets Held for Future Use

ref			Base Value	Holding Costs	Net Revenues	Tracking Revaluations	Total
127		Assets held for future use—previous disclosure year	39,685	14,943	30	6,556	61,154
128	*plus*	Assets held for future use—additions[1]	–	957	30	694	1,621
129	*less*	Transfer to works under construction	–	–	–	–	–
130	*less*	Assets held for future use—disposals	–	–	–	–	–
131		Assets held for future use[2]	39,685	15,900	60	7,250	62,775

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

132 [2] *Each category value shown in the 'Assets held for future use' line (Base Value, Holding Costs, Net Revenues, and Tracking Revaluations) is carried forward into the following year's disclosure as 'Assets held for future use—previous disclosure year' .*

133 Highest rate of finance applied (%) –

134

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2018

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

ref *Version 4.0*

5(i): Related Party Transactions

	($000)
Net operating revenue	105
Operational expenditure	11,622
Related party capital expenditure	–
Market value of asset disposals	869
Other related party transactions	16,033

5(ii): Entities Involved in Related Party Transactions

Entity Name	Related Party Relationship
Christchurch City Holdings Limited (CCHL)	Majority Shareholder
Christchurch City Council (CCC)	Owner of Majority Shareholder
Connetics	Subsidiary of Majority Shareholder
Red Bus Limited	Subsidiary of Majority Shareholder
EcoCentral	Subsidiary of Majority Shareholder
Enable Services Ltd	Subsidiary of Majority Shareholder
City Care Limited	Subsidiary of Majority Shareholder
Vbase Limited	Subsidiary of Majority Shareholder
Tuam Limited	Subsidiary of Majority Shareholder
BECA Group Limited	Common Directors
University of Canterbury	Common Directors
Orbit Travel & House of Travel Holdings Limited	Common Directors

5(iii): Related Party Transactions

Entity Name	Description of Transaction	Average Unit Price($)	Value
Christchurch City Council (CCC)	Rates		5,126
Christchurch City Council (CCC)	Operational Expenditure		1,190
Christchurch City Council (CCC)	Revenue		52
Christchurch City Council (CCC)	Subvention Payment/Losses		11,433
Christchurch City Holdings Limited (CCHL)	Interest Paid		–
Connetics	Operational Expenditure		345
Enable Services Ltd	Revenue		1
City Care Limited	Revenue		45
City Care Limited	Operational Expenditure		4,070
City Care Limited	Other		868
Red Bus Limited	Revenue		7
EcoCentral	Operational Expenditure		2
Vbase Limited	Operational Expenditure		–
Civic Building Limited	Subvention Payment/Losses		1,403
BECA Group Limited	Structural Engineering Services		210
University of Canterbury	Research		28
Orbit Travel & House of Travel Holdings Limited	Travel. Accommodation, Lease Tenancy		652
-	-		–
Christchurch International Airport Limited	Management compensation of key personnel including Directors and Executive Management, incorporating salaries and other short term employee benefits		
	Directors Fees		303
	Executive Management		2,894

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS (cont)

ref | *Version 4.0*

58 **Commentary on Related Party Transactions**

59 Christchurch City Holdings Limited (CCHL), a wholly owned subsidiary of the Christchurch City Council (CCC), owns 75% and the New Zealand
60 Government owns 25% respectively of the issued share capital of CIAL.

61 CIAL enters into a large number of transactions with government departments, Crown entities, State-owned enterprises and other entities controlled or
62 subject to significant influence by the Crown. All transactions with related entities:

63 • are conducted on an arm's length basis;
64 • result from the normal dealings of the parties; and
65 • meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown.

66 The major elements are subvention payments. These transactions relate to the full company, and are not able to be allocated to specific activities. CIAL
67 considers that the remaining transactions cannot reasonably be allocated to specified airport activities without considerable and disproportionate effort
68 and expense.

69 CIAL has entered into an agreement with City Care Limited for the provision of asset maintenance services. This involved the transfer of maintenance
70 employees and certain assets to City Care.

71

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 6: REPORT ON ACTUAL TO FORECAST PERFORMANCE

ref *Version 4.0*

6a: Actual to Forecast Expenditure

($000)

Expenditure by Category	Actual for Current Disclosure Year (a)	Forecast for Current Disclosure Year* (b)	% Variance (a)/(b)-1	Actual for Period to Date (a)	Forecast for Period to Date* (b)	% Variance (a)/(b)-1
Capacity growth	11,035	12,277	(10.1%)	11,035	12,277	(10.1%)
Asset replacement and renewal	4,243	7,415	(42.8%)	4,243	7,415	(42.8%)
Total capital expenditure	15,278	19,692	(22.4%)	15,278	19,692	(22.4%)
Corporate overheads	7,930	7,677	3.3%	7,930	7,677	3.3%
Asset management and airport operations	30,392	31,265	(2.8%)	30,392	31,265	(2.8%)
Asset maintenance	2,201	1,823	20.7%	2,201	1,823	20.7%
Total operational expenditure	40,523	40,765	(0.6%)	40,523	40,765	(0.6%)
Key Capital Expenditure Projects						
Jet Ground Power	–	1,539	(100.0%)	–	1,539	(100.0%)
Cat 3 Nav 02-20	–	–	Not defined	–	–	Not defined
Airfield Pavement Works	4,117	2,655	55.1%	4,117	2,655	55.1%
Taxiway Widening	922	4,306	(78.6%)	922	4,306	(78.6%)
Phase 3a - Regional Stands, Hangar 4 Removal	545	2,709	(79.9%)	545	2,709	(79.9%)
Terminal Development	633	–	Not defined	633	–	Not defined
Gate 15 Reconfiguration	4,048	–	Not defined	4,048	–	Not defined
-	–	–	Not defined	–	–	Not defined
-	–	–	Not defined	–	–	Not defined
-	–	–	Not defined	–	–	Not defined
Other capital expenditure	5,013	8,483	(40.9%)	5,013	8,483	(40.9%)
Total capital expenditure	15,278	19,692	(22.4%)	15,278	19,692	(22.4%)

Explanation of Variances

Operational Expenditure
Operating costs for the 2018 Disclosure year were slightly above that forecast when setting prices, at a total of $35.5m compared to a forecast of $35.2m (excluding incentives which are discussed in detail in Section 8 of the Executive Summary). The key reasons CIAL incurred higher operating costs than forecast were beyond its control and are discussed further in Schedule 7 and Section 8 of the Executive Summary accompanying these disclosures.

Capital Expenditure
In respect to the 2018 Disclosure year, CIAL's actual capital expenditure at $15.3m was behind the forecast amount of $19.7m. Key variances of note include:

Jet Ground Power($-1.5m)
The next stage of investment in jet ground power was forecast to occur in the 2018 Disclosure year, however due to resourcing constraints has been delayed. CIAL remains committed to increasing the number of stands able to offer this service which will see a catch up of spend in the 2019 and 2020 Disclosure years.

Airfield Pavement Works ($+1.5m)
When estimating the forecast capital expenditure during the PSE3 price setting process, the estimate of airfield pavement works was based on CIAL's 20-year Asset Management Plan. In each individual year, a more detailed assessment is made of the specific maintenance required on the airfield sealed surfaces which will usually result in a variance from the long-term estimates (overs and unders each year) based on specific circumstances observed. Whilst the amount spent in the 2018 Disclosure year was $1.5m above forecast, CIAL remains of the view that the spend over the PSE3 pricing period will remain in line with the original forecast.

Taxiway Widening ($-3.4m)
At the time of consulting on the capital expenditure forecasts for PSE3, CIAL was of the view that this work would be completed in the 2018 Disclosure year. However, the work on this project was substantially completed ahead of forecast in the prior 2017 Disclosure year.

Hangar 4 Removal ($-2.2m)
Whilst this project has been commenced, it was not as far advanced as originally forecast during the 2018 Disclosure year. During the course of commencing the demolition project it has identified that the buildings and soil contain significant quantities of asbestos and other contaminated material, which has slowed the progress of the work.

Gate 15 Reconfiguration ($+4.0m)
In respect to the development of Gate 15 no specific forecast was made for this project in our PSE3 process as was not anticipated at that time. However, CIAL did indicate during consultation that terminal reconfiguration projects would be necessary over PSE3 to ensure the most efficient and productive use of the terminal. This is an example of this type of project which was highlighted, whilst not forecast to occur until later into PSE3.

Further discussion in respect to the Gate reconfiguration is included in Section 7 of the Executive Summary accompanying these disclosures.

Substantial customers were consulted about this project, which they supported, before and during the commissioning process.

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

** Disclosure year coincides with Pricing Period Starting Year + 0.*

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

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

ref *Version 4.0*

6b: Forecast Expenditure

From most recent disclosure following a price setting event

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

	Expenditure by Category	for year ended	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
72	Capacity growth		12,277	1,567	10,959	2,683	6,726
73	Asset replacement and renewal		7,415	11,056	10,182	8,820	10,432
74	Total forecast capital expenditure		19,692	12,623	21,141	11,503	17,158
75							
76	Corporate overheads		7,677	7,170	7,337	7,489	7,645
77	Asset management and airport operations		31,265	28,888	29,386	29,950	30,525
78	Asset maintenance		1,823	1,863	1,907	1,946	1,987
79	Total forecast operational expenditure		40,765	37,921	38,630	39,385	40,157

	Key Capital Expenditure Projects	for year ended	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 19	Pricing Period Starting Year + 2 30 Jun 20	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
82	Jet Ground Power		1,539	1,567	1,066	1,086	–
83	Cat 3 Nav 02-20		–	–	–	–	5,540
84	Airfield Pavement Works		2,655	6,366	5,441	4,197	5,390
85	Taxiway Widening		4,306	–	–	–	–
86	Phase 3a - Regional Stands, Hangar 4 Removal		2,709	–	–	–	–
87	Terminal Development		–	–	8,539	–	–
88	Gate 15 Reconfiguration		–	–	–	–	–
89	-		–	–	–	–	–
	-		–	–	–	–	–
91	-		–	–	–	–	–
92	Other capital expenditure		8,483	4,690	6,095	6,220	6,228
93	Total forecast capital expenditure		19,692	12,623	21,141	11,503	17,158

94

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

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

ref *Version 4.0*

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

($000)

Proposed risk allocation adjustment	Units used	Actual for Current Disclosure Year (a)	Forecast for Current Disclosure Year* (b)	% Variance (a)/(b)-1	Actual for Period to Date (a)	Forecast for Period to Date* (b)	% Variance (a)/(b)-1	Estimated present value of the proposed risk allocation adjustment
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	
N/A				Not defined			Not defined	

*include additional rows if needed

Total proposed risk allocation adjustments: –

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

CIAL did not propose any risk allocation adjustments for PSE3 as defined in our "Decision on the reset of aeronautical prices for the period 1 July 2017 to 30 June 2022" pricing disclosure document. As such this schedule does not apply to CIAL.

Airport Companies must provide a brief explanation of how the airport produced its estimated present value for each risk allocation adjustment specified in rows 113-121.

* Disclosure year Pricing Period Starting Year .

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref *Version 4.0*

($000)

	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business*
Airfield Charges	–	36,091	–	36,091
Terminal Charges	43,110	–	–	43,110
Counter Charges	2,087	–	–	2,087
Passenger Service Charges	–	–	–	–
Lease, rental and concession income	4,926	522	7,710	13,159
Other operating revenue	–	–	–	–
Net operating revenue	50,123	36,614	7,710	94,447
Gains / (losses) on asset sales	–	–	–	–
Other income	71	76	5	152
Total regulatory income	50,194	36,690	7,715	94,599
Total operational expenditure	21,971	16,792	1,760	40,523
Regulatory depreciation	14,575	5,045	240	19,859
Total revaluations	3,595	3,353	793	7,741
Regulatory tax allowance *	4,351	3,892	1,486	9,729
Regulatory profit/ loss *	12,893	14,314	5,021	32,228
Regulatory investment value	270,175	235,580	24,683	530,438

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

Commentary on Segmented Information

This disclosure schedule incorporates the value of tilted depreciation as presented in our "Decision on the reset of aeronautical prices for the period 1 July 2017 to 30 June 2022" pricing disclosure document.

The following table shows a comparison of the actual outcomes for the 2018 Disclosure year compared to the Year 1 forecast for PSE3.

Discussion in respect to revenue from priced services and the regulatory tax allowance is included in Schedule 2 and Section 8 of the Executive Summary accompanying these schedules.

Component	Value	Terminal	Airfield	Aircraft and Freight
Lease, Rental and Concession Income	Year 1 PSE3 Forecast	$ 4,957	$ 295	$ 6,869
	Actuals	$ 4,926	$ 522	$ 7,710
	Variance	-$ 31	$ 227	$ 841
Explanation of variance: Revenue from non-priced services exceeded the PSE3 pricing forecast by approximately $1m. This reflecting higher than forecast rental income from the freight distribution centre. Refer to Section 8 of the Executive Summary for further commentary.				
Operational Expenditure - Asset Maintenance	Year 1 PSE3 Forecast	$ 1,399	$ 343	$ 81
	Actuals	$ 1,534	$ 471	$ 196
	Variance	$ 135	$ 128	$ 115
Explanation of variance: CIAL has outsourced its maintenance services to City Care Limited. From an allocation perspective this results in an increase in external maintenance costs offset by a reduction in CIAL payroll costs. Overall there has been a greater than forecast reduction in overall maintenance and related personnel costs.				
Operational Expenditure - Asset Management and Airport Operations	Year 1 PSE3 Forecast	$ 17,002	$ 13,258	$ 1,005
	Actuals	$ 16,308	$ 12,967	$ 1,117
	Variance	-$ 693	-$ 292	$ 112
Explanation of variance: Overall, CIAL has incurred higher operating costs than forecast which were beyond its control and include insurance, rates and aviation security charge increases. This is discussed further in Section 8 of the Executive Summary. CIAL has outsourced its maintenance services to City Care Limited. From an allocation perspective this results in an increase in external maintenance costs offset by a reduction in CIAL payroll costs. Overall there has been a greater than forecast reduction in overall maintenance and related personnel costs. The actual incentives incurred for the 2018 Disclosure year were below that forecast and further discussion around incentives is outlined in Section 8 of the Executive Summary accompanying these schedules.				
- Corporate Overheads	Year 1 PSE3 Forecast	$ 4,054	$ 3,524	$ 99
	Actuals	$ 4,128	$ 3,354	$ 447
	Variance	$ 75	-$ 170	$ 348
Explanation of variance: Overall, CIAL has incurred higher operating costs than forecast which were beyond its control and include insurance, rates and aviation security charge increases. This is discussed further in Section 8 of the Executive Summary. The actual incentives incurred for the 2018 Disclosure year were below that forecast and further discussion around incentives is outlined in Section 8 of the Executive Summary accompanying these schedules.				
Depreciation	Year 1 PSE3 Forecast	$ 15,267	$ 5,184	$ 518
	Actuals	$ 14,575	$ 5,045	$ 240
	Variance	-$ 692	-$ 139	-$ 277
Explanation of variance: In respect to the 2018 Disclosure year, CIAL's actual capital expenditure at $15.3m was behind the forecast amount of $19.7m. Key variances of note are outlined in Schedule 6. This has resulted in lower than forecast tilted depreciation across all segments.				

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2018

SCHEDULE 8: CONSOLIDATION STATEMENT

ref *Version 4.0*

8a: CONSOLIDATION STATEMENT

($000)

	Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business– GAAP	Unregulated Activities– GAAP	Airport Company– GAAP
Net income	94,599	–	94,599	88,031	182,630
Total operational expenditure	40,523	–	40,523	26,677	67,200
Operating surplus / (deficit) before interest, depreciation, revaluations and tax	54,076	–	54,076	61,354	115,430
Depreciation	19,859	7,656	27,515	7,613	35,128
Revaluations	7,741	(2,919)	4,822	48,879	53,701
Tax expense	9,729	(2,695)	7,034	15,077	22,111
Net operating surplus / (deficit) before interest	32,228	(7,880)	24,349	87,543	111,892
Property plant and equipment	527,404	107,800	635,204	528,463	1,163,667

8b: NOTES TO CONSOLIDATION STATEMENT

8b(i): REGULATORY / GAAP ADJUSTMENTS

Description of Regulatory / GAAP Adjustment	Affected Line Item	Regulatory / GAAP Adjustments *
Depreciation methodology - on additions and disposals under GAAP	Depreciation	7,656
Revaluation methodology	Revaluations	(2,919)
Tax expense adjustment due to different calculation methodology	Tax Expense	(2,695)
Land held for development and Work in Progress - excluded from RAB	Property Plant and Equipment	26,007
Revaluation variance due to different methods for years 2009-2018	Property Plant and Equipment	115,800
Depreciation differences to date plus changes in allocation %	Property Plant and Equipment	(34,007)
		–

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

Commentary on the Consolidation Statement

Regulatory/GAAP Adjustments

Depreciation $+7.656m

- under the tilted annuity depreciation regime, the depreciation for the regulated assets for this disclosure period was less than the GAAP depreciation for regulated assets. GAAP also allows for depreciation to be calculated on additions and disposals in the year they occur rather than the year they are commissioned.

Revaluations $-2.919m

- under GAAP, assets are revalued to market value under NZ IAS16 and require the determination of market values for each class of asset. Under the regulatory regime, assets are revalued annually using the change in the CPI index. Land is the only exception to this rule and can be valued either using the MVAU method or against CPI. Land was last revalued by independent valuers for regulatory purposes in June 2013.
- the difference in such values and previous CPI valuation indexations are treated as revenue in the disclosure period in which such CPI or MVAU revaluations occurred.

Tax expense $-2.695m

- reasons for this adjustment are the variances in depreciation and revaluations under the regulatory regime which alter the regulatory tax expense compared with the equivalent GAAP tax expense.

Property plant and equipment $+107.800m

- asset value differences under GAAP, as compared with regulatory values, are the result of differing methodologies for asset valuations and depreciation. The adjustment value shown is a summation of variances from 2009 through to 2018.

Finally, neither Work in Progress nor Land Held for Future Development is included in the initial RAB calculation whilst it is included in asset values under GAAP.

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS

ref *Version 4.0*

9a: Asset Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Land						
Directly attributable assets	–	93,675	14,103	107,778		107,778
Assets not directly attributable	960	613	–	1,573	1,003	2,576
Total value land				109,351		
Sealed Surfaces						
Directly attributable assets	–	121,514	205	121,719		121,719
Assets not directly attributable	–	2	–	2	–	2
Total value sealed surfaces				121,721		
Infrastructure and Buildings						
Directly attributable assets	45,096	5,613	38,203	88,912		88,912
Assets not directly attributable	189,267	5,734	1,747	196,748	57,973	254,721
Total value infrastructure and buildings				285,660		
Vehicles, Plant and Equipment						
Directly attributable assets	1,076	6,026	32	7,134		7,134
Assets not directly attributable	1,807	1,258	473	3,538	3,035	6,573
Total value vehicles, plant and equipment				10,672		
Total directly attributable assets	46,172	226,828	52,543	325,543		325,543
Total assets not directly attributable	192,034	7,607	2,220	201,861	62,011	263,872
Total assets	238,206	234,435	54,763	527,404	62,011	589,415

Asset Allocators

Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
Terminal - Non-Contestable	Direct cost	Causal Relationship	Assets that are used solely for specified terminal activities are allocated 100% to this segment	Land, Infrastructure and Buildings, Vehicles, Plant and Equipment
Airfield - Non-Contestable	Direct cost	Causal Relationship	Assets that are used solely for specified airfield activities are allocated 100% to this segment	Land, Sealed Surfaces, Infrastructure and Buildings, Vehicles, Plant and Equipment
Aircraft and Freight - Non-Contestable	Direct cost	Causal Relationship	Assets that are used solely for Aircraft and Freight activities are allocated 100% to this segment	Land, Infrastructure and Buildings, Vehicles, Plant and Equipment
Administration Assets	Company asset values	Proxy Cost Allocator	Administration assets are used to maintain the existing company assets	Infrastructure and Buildings, Vehicles, Plant and Equipment
Maintenance Assets	Company asset values	Proxy Cost Allocator	Maintenance assets are used to maintain the existing company assets	Land, Infrastructure and Buildings, Vehicles, Plant and Equipment
Terminal - Total	Floor area	Proxy Cost Allocator	Assets that service all of the terminal are to be allocated over the total terminal area. Analysis of the terminal floor space into aeronautical areas is deemed to be a fair allocator of terminal assets that relate to the total terminal	Land, Infrastructure and Buildings, Vehicles, Plant and Equipment
Regional Lounge - Total	Floor area	Proxy Cost Allocator	Assets that service all of the regional lounge are to be allocated over the total regional lounge area. Analysis of the regional lounge floor space into aeronautical areas is deemed to be a fair allocator of terminal assets that relate to the regional lounge	Land, Infrastructure and Buildings
International Terminal - Total	Floor area	Proxy Cost Allocator	Assets that service all of the international terminal are to be allocated over the total international terminal area. Analysis of the international terminal floor space into aeronautical areas is deemed to be a fair allocator of terminal assets that relate to the international terminal	Land, Infrastructure and Buildings, Plant and Equipment
Terminal - International Basement	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the international basement are allocated according to international basement floor space split into aeronautical / non aeronautical	Land, Infrastructure and Buildings, Plant and Equipment

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 4.0*

Asset Allocators (cont)

Asset Category	Allocator*	Allocator Type	Rationale	Asset Line Items
Terminal - International Ground Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the international ground floor are allocated according to international ground floor space split into aeronautical / non aeronautical	Land, Infrastructure and Buildings, Plant and Equipment
Terminal - International First Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the international first floor are allocated according to international first floor space split into aeronautical / non aeronautical	Land, Infrastructure and Buildings, Plant and Equipment
Terminal - International Second Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the international second floor are allocated according to international second floor space split into aeronautical / non aeronautical	Land, Infrastructure and Buildings, Plant and Equipment
Terminal - Integrated Total	Floor area	Proxy Cost Allocator	Assets that service all of the integrated terminal are to be allocated over the total integrated terminal area. Analysis of the integrated terminal floor space into aeronautical areas is deemed to be a fair allocator of terminal assets that relate to the integrated terminal	Land, Infrastructure and Buildings
Terminal - Integrated Basement	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the integrated terminal in the basement are allocated according to integrated terminal floor space split into aeronautical / non-aeronautical	Land, Infrastructure and Buildings
Terminal - Integrated Ground Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the integrated terminal on the ground floor are allocated according to integrated terminal floor space split into aeronautical / non-aeronautical	Land, Infrastructure and Buildings
Terminal - Integrated Mezzanine Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the integrated terminal on the mezzanine floor are allocated according to integrated terminal floor space split into aeronautical / non-aeronautical	Land, Infrastructure and Buildings
Terminal - Integrated First Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the integrated terminal on the first floor are allocated according to integrated terminal floor space split into aeronautical / non-aeronautical	Land, Infrastructure and Buildings
Terminal - Integrated Second Floor	Floor area	Proxy Cost Allocator	Specific terminal assets that are located in the integrated terminal on the second floor are allocated according to integrated terminal floor space split into aeronautical / non-aeronautical	Land, Infrastructure and Buildings
		[Select one]		
		[Select one]		
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		[Select one]		
		[Select one]		

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

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2018**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 4.0*

80 **9b: Notes to the Report**

81 **9b(i): Changes in Asset Allocators**

ref						
82					**Effect of Change**	
83				**CY-1**	**Current Year (CY)**	**CY+1**
84	Asset category			**30 Jun 17**	**30 Jun 18**	**30 Jun 19**
85	Original allocator or components		Original			
86	New allocator or components		New			
87	Rationale		Difference	–	–	–
88						
89	Asset category					
90	Original allocator or components		Original			
91	New allocator or components		New			
92	Rationale		Difference	–	–	–
93						
94	Asset category					
95	Original allocator or components		Original			
96	New allocator or components		New			
97	Rationale		Difference	–	–	–
98						
99	Asset category					
100	Original allocator or components		Original			
101	New allocator or components		New			
102	Rationale		Difference	–	–	–
103						
104	Asset category					
105	Original allocator or components		Original			
106	New allocator or components		New			
107	Rationale		Difference	–	–	–
108						
109	Asset category					
110	Original allocator or components		Original			
111	New allocator or components		New			
112	Rationale		Difference	–	–	–
113						
114	Asset category					
115	Original allocator or components		Original			
116	New allocator or components		New			
117	Rationale		Difference	–	–	–

118 **Commentary on Asset Allocations**

Changes in Asset Allocators

CIAL has used the same asset allocator methodology for this disclosure statement as that used in preparing our PSE3 pricing forecast published in our associated pricing disclosure statement. There has been no change in asset allocator methodology for 2018 therefore schedule 9b(i) has not been completed.

Overview

Where possible, assets are attributed to the relevant specified airport activities based on direct attribution of activity to each segment.

There are several assets however that do not directly relate to one individual segment and may overlap several segments. These asset values have been allocated to the regulatory asset segment according to the relevant asset allocation drivers.

The various asset allocation drivers have been determined based on the use of the asset, with the allocators and the rationale for the calculation described above.

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 10: REPORT ON COST ALLOCATIONS

ref *Version 4.0*

10a: Cost Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Corporate Overheads						
Directly attributable operating costs	2,156	2,180	353	4,689		4,689
Costs not directly attributable	1,972	1,174	94	3,240	4,984	8,224
Asset Management and Airport Operations						
Directly attributable operating costs	10,946	11,834	971	23,751		23,751
Costs not directly attributable	5,363	1,133	146	6,642	16,883	23,525
Asset Maintenance						
Directly attributable operating costs	41	190	127	358		358
Costs not directly attributable	1,493	281	69	1,843	2,327	4,170
Total directly attributable costs	13,143	14,204	1,451	28,798		28,798
Total costs not directly attributable	8,828	2,588	309	11,725	24,194	35,919
Total operating costs	21,971	16,792	1,760	40,523	24,194	64,717

Cost Allocators

Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
Terminal - Non-contestable	Direct cost	Causal Relationship	P&L amounts directly attributable to specified terminal activities is allocated 100% to this segment	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
Airfield - Non-contestable	Direct cost	Causal Relationship	P&L amounts directly attributable to specified airfield activities is allocated 100% to this segment	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
Aircraft and Freight - Non-contestable	Direct cost	Causal Relationship	P&L amounts directly attributable to Aircraft and Freight activities is allocated 100% to this segment	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
Promotions	Revenue generated by aircraft, passenger service and concession charges for the year	Causal Relationship	The spend on Promotion that will give rise to increased passenger numbers should be allocated by the revenue that is generated by those passengers	Asset Management and Airport Operations
Administration Costs	Proportion of direct administration costs	Proxy Cost Allocator	Directly attributable administration costs are deemed to be a suitable driver of in-direct administration costs	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
Maintenance Costs	Proportion of direct maintenance costs	Proxy Cost Allocator	Directly attributable maintenance costs are deemed to be a suitable driver of in-direct maintenance costs	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
International Terminal	Floor space	Proxy Cost Allocator	Contestable / non-contestable floor space within the international terminal is deemed to be a suitable driver of international terminal cost allocations	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
Integrated Terminal	Floor space	Proxy Cost Allocator	Contestable / non-contestable floor space within the integrated terminal is deemed to be a suitable driver of integrated terminal cost allocations	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
Regional Lounge	Floor space	Proxy Cost Allocator	Contestable / non-contestable floor space within the regional lounge is deemed to be a suitable driver of regional lounge cost allocations	Corporate overheads, asset management and airport operations, asset maintenance
Total Terminal	Floor space	Proxy Cost Allocator	Overall terminal floor space split into contestable / non-contestable areas is deemed to be a suitable driver of overall terminal cost allocations	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2018

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 4.0*

40 **Cost Allocators (cont)**

ref	Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
41					
42	Management Payroll	Staff time	Causal Relationship	Estimate of staff time spent on regulated and unregulated activities	Asset Management and Airport Operations, Corporate Overheads
43	Admin Payroll	Staff time	Causal Relationship	Estimate of staff time spent on regulated and unregulated activities	Asset Management and Airport Operations, Corporate Overheads
44	Airport Services Payroll	Staff time	Causal Relationship	Estimate of staff time spent on regulated and unregulated activities	Asset Management and Airport Operations
45	Supervisors payroll	Staff time	Causal Relationship	Estimate of staff time spent on regulated and unregulated activities	Asset Maintenance
46	IOC	Staff time	Causal Relationship	Estimate of staff time spent on regulated and unregulated activities	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
47	Infrastructure	RAB Asset values	Causal Relationship	RAB asset values by segment is deemed to be a suitable driver	Corporate Overheads, Asset Management and Airport Operations, Asset Maintenance
48			[Select one]		
49			[Select one]		
50			[Select one]		
51			[Select one]		
52			[Select one]		
53			[Select one]		
54			[Select one]		
55			[Select one]		
56			[Select one]		
57			[Select one]		
58			[Select one]		
59			[Select one]		
60			[Select one]		
61			[Select one]		
62			[Select one]		
63			[Select one]		
64			[Select one]		
65			[Select one]		
66			[Select one]		
67			[Select one]		
68			[Select one]		
69			[Select one]		
70			[Select one]		
71			[Select one]		
72			[Select one]		
73			[Select one]		
74			[Select one]		
75			[Select one]		
76			[Select one]		
77			[Select one]		
78			[Select one]		
79			[Select one]		
80			[Select one]		
81			[Select one]		
82			[Select one]		
83			[Select one]		
84			[Select one]		

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

86

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2018**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 4.0*

10b: Notes to the Report

10b(i): Changes in Cost Allocators

			Effect of Change CY-1 30 Jun 17	Current Year (CY) 30 Jun 18	CY+1 30 Jun 19
Operating cost category	Asset Management and Airport Operations				
Original allocator or components	Incentives	Original	3,647	2,921	2,355
New allocator or components	100% of cost component included in disclosure	New	5,870	4,972	2,355
Rationale	To align reporting outcomes between these annual reporting schedules and the operating expenditure and returns outlined in CIAL's PSE3 price setting dislcosures. (N.B. CY+1 is our PSE3 disclosure statement 'Pricing Incentives' value)	Difference	(2,223)	(2,051)	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Cost Allocations

Changes in Cost Allocators

CIAL has used the same cost allocator methodology for this disclosure statement as that used to prepare our PSE3 pricing forecast published in our associated pricing disclosure document. CIAL is committed to reporting actual outcomes as against our PSE3 forecast. Schedule 10b(i) has been completed as required but effectively shows a historic comparison given CY-1 was the last disclosure period of PSE2 (Year 5).

2018 Terminal Cost Allocations

The terminal floor space for the 2018 cost allocation process is based on the relevant terminal spatial maps produced by CIAL based on the relevant terminal configuration as at 30 June 2018. There is no difference between this configuration of the terminal floor space and that used to calculate CIAL's new pricing that came into effect from 1 July 2017.

Cost Allocation Process

The cost allocation process ensures all income and expenses are allocated to the relevant specified airport activity and commercial categories. Many income and expense items will be directly related to the categories whilst others must be allocated based on some form of allocation. Administration and Maintenance categories are the two “overhead” type categories, and CIAL endeavours to allocate as many of these costs directly to the relevant activity and thereby minimise the value of final allocation wherever possible.

The process of allocation follows several steps to achieve this and these are listed below:

Step One: Direct Costs
All income and expense items are reviewed to ensure any costs that can be directly attributed are allocated wherever possible.

Step Two: Review Costs for Causal Allocators
All remaining income and expense items are then reviewed with any costs that can be allocated based on a causal relationship being allocated manually. The causal allocators used in 2018 are listed above.

Step Three: Run Cost Allocation Model
The cost allocation model then allocates the residual values in the Administration, Maintenance, and Terminal categories between the specified airport activities and commercial categories of the business. The allocators for 2018 and their rationale for application are also detailed above.

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES

Version 4.0

ref		Number	Total Duration Hours	Minutes
6	**Runway**			
7	The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8	Airports	–	–	–
9	Airlines/Other	–	–	–
10	Undetermined reasons	–	–	–
11	Total	–	–	–
12	**Taxiway**			
13	The number and duration of interruptions to taxiway(s) during disclosure year by party primarily responsible			
14	Airports	–	–	–
15	Airlines/Other	–	–	–
16	Undetermined reasons	–	–	–
17	Total	–	–	–
18	**Remote stands and means of embarkation/disembarkation**			
19	The number and duration of interruptions to remote stands and means of embarkation/disembarkation during disclosure year by party primarily responsible			
20	Airports	–	–	–
21	Airlines/Other	–	–	–
22	Undetermined reasons	–	–	–
23	Total	–	–	–
24	**Contact stands and airbridges**			
25	The number and duration of interruptions to contact stands during disclosure year by party primarily responsible			
26	Airports	3	1	44
27	Airlines/Other	–	–	–
28	Undetermined reasons	1	–	45
29	Total	4	2	29
30	**Baggage sortation system on departures**			
31	The number and duration of interruptions to baggage sortation system on departures during disclosure year by party primarily responsible			
32	Airports	1	3	–
33	Airlines/Other	–	–	–
34	Undetermined reasons	–	–	–
35	Total	1	3	–
36	**Baggage reclaim belts**			
37	The number and duration of interruptions to baggage reclaim belts during disclosure year by party primarily responsible			
38	Airports	–	–	–
39	Airlines/Other	–	–	–
40	Undetermined reasons	–	–	–
41	Total	–	–	–
42	**On-time departure delay**			
43	The total number of flights affected by on time departure delay and the total duration of the delay during disclosure year by party primarily responsible			
44	Airports	48	21	47
45	Airlines/Other	84	34	40
46	Undetermined reasons	22	6	29
47	Total	154	62	56

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2018

SCHEDULE 11: REPORT ON RELIABILITY MEASURES (cont)

ref *Version 4.0*

Fixed electrical ground power availability (if applicable)

The percentage of time that FEGP is unavailable due to interruptions* 0%

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

Commentary concerning reliability measures

Determining Responsibility and Validity of Interruptions

CIAL operations staff record all interruption data into a database. This is completed at the time the interruption occurs and includes full details of the interruption including an assessment of the party responsible.

This data is then reviewed by management to ensure it meets the relevant criteria for schedule 11 in accordance with the definitions detailed in the Determination. This review also includes a review of the party responsible for the interruption and includes discussion with other internal and external parties where necessary.

Operational Improvements

Interruptions are discussed when appropriate with relevant parties/forums as disclosed in schedule 15. Potential improvements and strategies are also discussed amongst these groups.

Fixed Electricity Ground Power

Fixed electrical ground power became available at stands 18, 19, 20, 30 and 31 in the prior disclosure year. To date this service has been 100% available. CIAL is committed to increasing the number of stands able to offer this service in the near future with ground power to be installed to a further eight stands by the end of the 2020 Disclosure year.

On-Time Departure Delay

CIAL requires the input from airlines to report the on-time departure delay information. As with other disclosure periods only one airline provided this data to CIAL. This airline historically accounts for between 75% to 80% of departing flights from CIAL.

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

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2018**

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

ref *Version 4.0*

Runway

		Runway #1	Runway #2	Runway #3
Description of runway(s)	Designations	02-20	11-29	N/A
	Length of pavement (m)	3,288	1,741	N/A
	Width (m)	45	45	N/A
	Shoulder width (m)	30	N/A	N/A
	Runway code	4E	3D	N/A
	ILS category	Category I	N/A	N/A
Declared runway capacity for specified meteorological condition	VMC (movements per hour)	42	38	N/A
	IMC (movements per hour)	38	28	N/A

Taxiway

		Taxiway #1	Taxiway #2	Taxiway #3
Description of main taxiway(s)	Name	Alpha	Echo	Foxtrot
	Length (m)	2,996	785	695
	Width (m)	23	23	23
	Status	Full Length	Part Length	Part Length
	Number of links	6	1	1

Aircraft parking stands

Number of apron stands available during the runway busy day categorised by stand description and primary flight category

		Contact stand–airbridge	Contact stand–walking	Remote stand–bus
Air passenger services	International	9	2	3
	Domestic jet	6	0	0
	Domestic turboprop	0	11	0
Total parking stands		15	13	3

Busy periods for runway movements

	Date
Runway busy day	01 Dec 2017
Runway busy hour start time (day/month/year hour)	15 Jan 2018 4 p.m.

Aircraft movements

Number of aircraft runway movements during the runway busy day with air passenger service flights categorised by stand description and flight category

		Contact stand–airbridge	Contact stand–walking	Remote stand—bus	Total
Air passenger services	International	32	0	0	32
	Domestic jet	69	0	0	69
	Domestic turboprop	0	132	0	132
	Total	101	132	–	233
Other (including General Aviation)					109
Total aircraft movements during the runway busy day					342

Number of aircraft runway movements during the runway busy hour: 35

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

Parking Stand Assumptions (in support of the above numbers)

Domestic Turboprop aircraft = Contact stand – walking
Domestic Jet aircraft = Contact stand – airbridge
– walking
International flights aircraft = Contact stand – airbridge

CIAL has 6 stands that can operate across different aircraft type; 1 covering walking access for both domestic aircraft, 1 with either walking or contact access for both domestic aircraft, and 4 with the ability to swing between Domestic Jet and International aircraft. These 6 stands have been included within this schedules measures by their primary aircraft usage only. CIAL developed gate 15 during this disclosure period to further enhance our ability to service multiple aircraft across the Integrated Terminal, which was commissioned in June 2018. As such CIAL's primary parking stand numbers have not changed since 2017.

In addition, CIAL has 17 remote stands that are generally used for freight and servicing the operations of the Antarctic program. These stands are located some distance from the passenger terminal.

Runway

CIAL has two runways; the main runway and the cross-wind runway. The cross-wind runway is used during specific North West wind weather conditions and outages to the main runway. The shoulder width of the main runway increased from 15 metres to 30 metres with this project being completed in the 2017 Disclosure year and commissioned in this current year into the RAB.

CIAL is not constrained by any night curfew and is constantly monitoring the noise contours to ensure the continuance of a 24 hour, 7 day a week operation capability.

Regulated Airport: **Christchurch International Airport Ltd**
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SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES

Version 4.0

ref	Outbound (Departing) Passengers	International terminal	Domestic terminal	Common area †
7	**Landside circulation (outbound)**			
8	Passenger busy hour for landside circulation (outbound)—start time			
9	(day/month/year hour)	11 Jul 2017 6 a.m.	28 Nov 2017 8 a.m.	1 Mar 2018 6 p.m.
10	Floor space (m²)	262	607	2,272
11	Passenger throughput during the passenger busy hour (passengers/hour)	883	969	1,419
12	Utilisation (busy hour passengers per 100m²)	337	160	62
13	**Check-in**			
14	Passenger busy hour for check-in—start time (day/month/year hour)	N/A	N/A	1 Mar 2018 6 p.m.
15	Floor space (m²)	N/A	N/A	2,527
16	Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,419
17	Utilisation (busy hour passengers per 100m²)	Not defined	Not defined	56
18	**Baggage (outbound)**			
19	Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	N/A	N/A	1 Mar 2018 6 p.m.
20	Make-up area floor space (m²)	N/A	N/A	5,033
21	Notional capacity during the passenger busy hour (bags/hour)*	N/A	N/A	2,400
22	Bags processed during the passenger busy hour (bags/hour)*	N/A	N/A	1,190
23	Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,419
24	Utilisation (% of processing capacity)	Not defined	Not defined	50%
25	** Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.*			
26	**Passport control (outbound)**			
27	Passenger busy hour for passport control (outbound)—start time			
28	(day/month/year hour)	11 Jul 2017 6 a.m.		
29	Floor space (m²)	500		
30	Number of emigration booths and kiosks	9		
31	Notional capacity during the passenger busy hour (passengers/hour) *	823		
32	Passenger throughput during the passenger busy hour (passengers/hour)	883		
33	Utilisation (busy hour passengers per 100m²)	177		
34	Utilisation (% of processing capacity)	107%		
35	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
36	**Security screening**			
37	Passenger busy hour for security screening—start time (day/month/year hour)	11 Jul 2017 6 a.m.	28 Nov 2017 8 a.m.	
38	Facilities for passengers excluding international transit & transfer			
39	Floor space (m²)	504	183	
40	Number of screening points	3	3	
41	Notional capacity during the passenger busy hour (passengers/hour) *	810	810	
42	Passenger throughput during the passenger busy hour (passengers/hour)	883	969	
43	Utilisation (busy hour passengers per 100m²)	175	530	
44	Utilisation (% of processing capacity)	109%	120%	
45	Facilities for international transit & transfer passengers			
46	Floor space (m²)	49		
47	Number of screening points	1		
48	Notional capacity during the passenger busy hour (passengers/hour)*	270		
49				
50	Estimated passenger throughput during the passenger busy hour (passengers/hour)	–		
51	Utilisation (busy hour passengers per 100m²)	–		
52	Utilisation (% of processing capacity)	–		
53	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			

Regulated Airport	**Christchurch International Airport Ltd**
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SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES (cont)

Version 4.0

ref		International terminal	Domestic terminal	Common area †
61				
62	**Airside circulation (outbound)**			
63	Passenger busy hour for airside circulation (outbound)—start time			
64	(day/month/year hour)	11 Jul 2017 6 a.m.	28 Nov 2017 8 a.m.	
65	Floor space (m²)	1,252	1,775	
66	Passenger throughput during the passenger busy hour (passengers/hour)	883	969	
67	Utilisation (busy hour passengers per 100m²)	71	55	
68	**Departure lounges**			
69	Passenger busy hour for departure lounges—start time (day/month/year hour)	11 Jul 2017 6 a.m.	28 Nov 2017 8 a.m.	
70	Floor space (m²)	4,766	2,293	
71	Number of seats	1,010	944	
72	Passenger throughput during the passenger busy hour (passengers/hour)	883	969	
73	Utilisation (busy hour passengers per 100m²)	19	42	
74	Utilisation (passengers per seat)	0.9	1.0	
75	**Inbound (Arriving) Passengers**			
76	**Airside circulation (inbound)**			
77	Passenger busy hour for airside circulation (inbound)—start time			
78	(day/month/year hour)	5 Jan 2018 1 p.m.	23 Jan 2018 9 a.m.	N/A
79	Floor space (m²)	3,707	1,758	N/A
80	Passenger throughput during the passenger busy hour (passengers/hour)	878	999	N/A
81	Utilisation (busy hour passengers per 100m²)	24	57	Not defined
82	**Passport control (inbound)**			
83	Passenger busy hour for passport control (inbound)—start time			
84	(day/month/year hour)	5 Jan 2018 1 p.m.		
85	Floor space (m²)	1,210		
86	Number of immigration booths and kiosks	16		
87	Notional capacity during the passenger busy hour (passengers/hour) *	850		
88	Passenger throughput during the passenger busy hour (passengers/hour)	878		
89	Utilisation (busy hour passengers per 100m²)	73		
90	Utilisation (% of processing capacity)	103%		
91	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
92	**Landside circulation (inbound)**			
93	Passenger busy hour for landside circulation (inbound)—start time			
94	(day/month/year hour)	5 Jan 2018 1 p.m.	23 Jan 2018 9 a.m.	13 Feb 2018 2 p.m.
95	Floor space (m²)	133	607	2,040
96	Passenger throughput during the passenger busy hour (passengers/hour)	878	999	1,462
97	Utilisation (busy hour passengers per 100m²)	660	165	72
98	**Baggage reclaim**			
99	Passenger busy hour for baggage reclaim—start time (day/month/year hour)	5 Jan 2018 1 p.m.	23 Jan 2018 9 a.m.	
100	Floor space (m²)	4,150	3,153	
101	Number of reclaim units	3	4	
102	Notional reclaim unit capacity during the passenger busy hour (bags/hour)*	5,400	5,400	
103	Bags processed during the passenger busy hour (bags/hour)*	901	719	
104	Passenger throughput during the passenger busy hour (passengers/hour)	878	999	
105	Utilisation (% of processing capacity)	17%	13%	
106	Utilisation (busy hour passengers per 100m²)	21	32	
107	** Please describe in the capacity utilisation indicators commentary box how notional capacity and bags throughput have been assessed.*			
108	**Bio-security screening and inspection and customs secondary inspection**			
109	Passenger busy hour for bio-security screening and inspection and			
110	customs secondary inspection—start time (day/month/year hour)	5 Jan 2018 1 p.m.		
111	Floor space (m²)	974		
112	Notional MAF secondary screening capacity during the passenger busy hour	900		
113	(passengers/hour)*			
114	Passenger throughput during the passenger busy hour (passengers/hour)	878		
115	Utilisation (% of processing capacity)	98%		
116	Utilisation (busy hour passengers per 100m²)	90		
117	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
118				

Regulated Airport	Christchurch International Airport Ltd
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SCHEDULE 13: REPORT ON CAPACITY UTILISATION INDICATORS FOR SPECIFIED PASSENGER TERMINAL ACTIVITIES (cont)

ref *Version 4.0*

	International terminal	Domestic terminal	Common area †
Arrivals concourse			
Passenger busy hour for arrivals concourse—start time (day/month/year hour)	5 Jan 2018 1 p.m.	23 Jan 2018 9 a.m.	N/A
Floor space (m^2)	1,605	159	N/A
Passenger throughput during the passenger busy hour (passengers/hour)	878	999	N/A
Utilisation (busy hour passengers per $100m^2$)	55	628	Not defined
Total terminal functional areas providing facilities and service directly for passengers			
Floor space (m^2)	19,112	10,534	6,839
Number of working baggage trolleys available for passenger use at end of disclosure year	630	239	390

Commentary concerning capacity utilisation indicators for Passenger Terminal Activities

CIAL operates an Integrated Domestic and International check-in facility and baggage handling system. This is reflected in the common area utilisation figures above.

Passenger data is obtained from a combination of customs and airlines data. This is used to calculate busy hour/day information and corresponding passenger throughput. These data sources are cross checked where possible and are considered to be materially accurate.

Source of Data for Capacity Calculations:

Security Screening
The notional capacity has been based on Aviation Security National standards of 270 passengers per hour per x-ray unit. Security Screening International Transit/Transfer numbers are not collected by CIAL.

Bio-Security
The notional capacity figures were sourced from the AIRBIZ capacity and utilisation study dated 14 May 2010 which was commissioned after discussions with the Commerce Commission and Airlines.

Baggage Handling
CIAL operates an Integrated Domestic and International check-in facility and baggage handling system. The Integrated baggage handling system has a notional capacity of 40 bags per minute or 2,400 per hour.

The number of bags processed during the busy hour have been supplied by the operators of the Baggage system, who manage this for CIAL under an outsourced service provision contract. As the busy hour includes the departure of International flights, the number of bags processed during that hour may not include the bags for those International flights. For operational reasons bags for International flights are processed in the 2 hours prior to departure. This year the actual bags belonging to passengers who travelled in the busy hour have been included in this report.

Baggage Reclaim
Baggage system notional capacity numbers have been calculated from figures supplied by the system supplier, Glidepath. Notional capacity is however reduced by the recirculation rate (25% approx.) of bags relative to the length of reclaim belts. At this time actual baggage reclaim figures are not recorded by the system and again the bags processed have been estimated based on approximate bags per passenger figures.

Passport Control
International Departures
There are 5 desks and 4 smart gates servicing International Departures.
International Arrivals
There are 8 desks and 8 smart gates servicing International Arrivals.

Seating
Numbers listed excludes General, Food Court, and Tenancy seats.

Floor Space
The terminal floor space is based on the relevant terminal spatial maps produced by CIAL based on the terminal's current configuration as at 30 June 2018.

Notional Capacity Review

Notional capacity indices have remain constant. CIAL is conducting a review of these estimates which will be reported in our 2019 disclosure statement.

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

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

Regulated Airport: **Christchurch International Airport Ltd**
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SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

Version 4.0

Survey organisation

Survey organisation used	ACI
If "Other", please specify	

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

Domestic terminal	Quarter	1	2	3	4	Annual
	for year ended	30 Sep 17	31 Dec 17	31 Mar 18	30 Jun 18	average
Ease of finding your way through an airport		4.41	4.40	4.40	4.36	4.39
Ease of making connections with other flights		4.40	4.43	4.40	4.16	4.35
Flight information display screens		4.31	4.38	4.34	4.38	4.35
Walking distance within and/or between terminals		4.34	4.35	4.41	4.38	4.37
Availability of baggage carts/trolleys		4.13	4.19	4.33	4.28	4.23
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.39	4.50	4.45	4.56	4.47
Availability of washrooms/toilets		4.31	4.36	4.29	4.43	4.35
Cleanliness of washrooms/toilets		4.21	4.27	4.20	4.23	4.23
Comfort of waiting/gate areas		4.05	4.14	4.12	4.22	4.13
Cleanliness of airport terminal		4.42	4.48	4.49	4.56	4.49
Ambience of the airport		4.22	4.28	4.27	4.33	4.28
Security inspection waiting time		4.19	4.49	4.39	4.44	4.38
Check-in waiting time		4.52	4.51	4.61	4.58	4.55
Feeling of being safe and secure		4.48	4.55	4.54	4.59	4.54
Average survey score		4.31	4.38	4.37	4.39	4.37

International terminal	Quarter	1	2	3	4	Annual
	for year ended	30 Sep 17	31 Dec 17	31 Mar 18	30 Jun 18	average
Ease of finding your way through an airport		4.42	4.31	4.39	4.36	4.37
Ease of making connections with other flights		4.56	4.43	4.00	–	3.25
Flight information display screens		4.29	4.23	4.18	4.25	4.24
Walking distance within and/or between terminals		4.42	4.38	4.36	4.36	4.38
Availability of baggage carts/trolleys		4.36	4.38	4.41	4.37	4.38
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.48	4.41	4.48	4.59	4.49
Availability of washrooms/toilets		4.26	4.06	4.29	4.37	4.24
Cleanliness of washrooms/toilets		4.22	4.01	4.21	4.34	4.20
Comfort of waiting/gate areas		4.05	4.05	4.08	4.21	4.10
Cleanliness of airport terminal		4.40	4.36	4.41	4.52	4.42
Ambience of the airport		4.23	4.14	4.18	4.33	4.22
Passport and visa inspection waiting time		4.64	4.43	4.54	4.40	4.50
Security inspection waiting time		4.48	4.37	4.43	4.37	4.41
Check-in waiting time		4.36	4.23	3.96	4.10	4.16
Feeling of being safe and secure		4.59	4.52	4.61	4.62	4.58
Average survey score		4.38	4.29	4.30	4.06	4.26

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

Commentary concerning report on passenger satisfaction indicators

CIAL monitors passenger experience ratings using the ASQ Survey (https://aci.aero/customer-experience-asq/). ACI currently undertakes performance surveys for over 330 airports worldwide in 34 key service areas.

The survey involves the establishment of a Fieldwork Document with ACI for both Domestic and International travel which is implemented quarterly. The sample size for our survey is 350 passengers each quarter which is the same as for 2017. The survey results reflect the perceived passenger travel experience (the weighted average response) from using the Domestic or International terminals. The survey includes consistent sample survey questions, involving a five-point rating scale of poor (1), fair (2), good (3), very good (4) or excellent (5), which passengers rate at the departure gate.

CIAL's average passenger survey ratings are the highest ratings of the regulated New Zealand airports. CIAL's continued high scores continue to emphasise that the quality of CIAL's services meets their demands and reflect the benefits of CIAL's investment in new terminal facilities and the overall commitment of our service focused team. CIAL uses the survey results to identify additional improvements and we consult with interested parties as to the benefits such changes could have in improving the end-to-end passenger journey.

Quarter 4 Measures

No service measure has been recorded for 'ease of making connections with other flights' (International terminal) as the number of responses to this question was below 10 - the threshold required to ensure a consistent measure between surveys. The annual average for this question over the 3 quarters that had a recorded measure was 4.33 providing for an average survey score for the International terminal of 4.33.

Location of Survey Fieldwork Documentation

Survey fieldwork documentation is available on CIAL's website (www.christchurchairport.co.nz).

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

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SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref *Version 4.0*

Disclosure of the operational improvement process

CIAL has a continuous improvement focus to improve operational service excellence. This is achieved through several operational stakeholder forums which are held on a regular basis to consider operational matters and operational improvement. The objective of these groups is to ensure a coordinated approach to operations at Christchurch Airport, a joint commitment to efficiency improvements, pursue opportunities for innovation and to manage event exceptions or non-performance. A summary of the various operational forums are as follows:

Airline Operating Committee
Committee exists to promote understanding, cooperation and ensure a close working relationship between AOC members to maintain high standards across aircraft, passenger, and cargo handling services at the airport. Forum is also used to liaise closely with BARNZ to ensure the interests of airlines are kept to the fore.

Airside Safety Group
This group meets bi-monthly to discuss any safety issues relating to airport operations, communicate rule changes, improve driving and parking standards, discuss any incursions and inform members of any impending airside work.

Terminal Health and Safety Committee
This group meets quarterly and focuses on new and existing hazards/incidents. The group includes government agencies, airlines, ground handlers, and tenants.

Dakota Park Freight Apron Users Group
This group meets monthly to discuss safety and operational specific concerns for the freight apron. Stakeholders include freight companies, fuel organisations, airlines, and ground handlers.

Canterbury Airspace Users Group
This group of Canterbury General Aviation Community representatives met quarterly to discuss safety and other issues affecting the Canterbury airspace. It also liaises with CAA concerning airspace matters.

Facilitation Group
This group meets bi-monthly to discuss all matters pertinent to the shared operational environment. The group draws members from government agencies, airlines, ground handlers, the District Health Board, and airport tenants.

Waste Working Group
The purpose of this group is to provide a forum for working with tenants on new waste management initiatives/procedures as well as to provide a way for recognising/rewarding group member efforts.

Below are a number of initiatives or improvements that have been recognised during the disclosure period. This should be read in conjunction with Sections 8, 11 and 12 of the accompanying Executive Summary.

Safety Leadership
- In 2018 CIAL began a journey to shift from a protection focus to a performance focus. The key to taking our safety approach from protection to performance is leadership. CIAL has developed its own 'safety leadership conversation' smart phone app, which is built on safety performance principles and shares 'stories of work' in order to understand what is working well and any barriers to performance.

Sustainability
- CIAL has embarked on a project to facilitate ground based power at certain gates. This has significantly reduced climate change emissions, aircraft fuel usage and will lower airlines' operating costs at the Airport.
- CIAL became a certified Airport Council International - Airport Carbon Accreditation Programme member.
- CIAL developed and implemented a world leading method of measuring and managing engine testing noise.
- The airport partnered with Fulton Hogan on their PlastiPhait product (an asphalt alternative made from previously unrecyclable oil containers) by installing this product outside the entrance to the fire station (on the airfield).
- CIAL has made a commitment to transition its light vehicle fleet to electric vehicles by 2025. CIAL also became a member of the global EV100 initiative that is committed to transitioning vehicle fleet operations to 100% electric vehicles.
- CIAL was the winner of the Efficiency Champion category at the NZI Sustainable Business Network Awards.

Operational/Process Efficiency/Innovation
- Encouraging and harnessing innovation that will allow airlines to flexibly switch between domestic and international services through the use of 'swing' gates and lounges.
- The creation of a collaborative focus group to define the use-case and assess business case viability for various forms of autonomous transportation across the Airport campus – both airside and landside.
- Investigation of robotic process automation in the areas of baggage systems and Airport Services.
- Application of virtual reality/augmented reality in potentially hazardous, expensive and complex fire-fighting environment.
- CIAL has moved towards strategy-lead asset management, focusing on more proactively identifying preventative and innovative maintenance to keep longer term maintenance costs down.
- CIAL continues to focus on energy efficiency and a reduction in energy consumption.

Customer Experience
- As part of our ongoing terminal enhancements, CIAL has developed Gates 15A, B and C to enable multiple access for turboprop aircraft to cater for strong regional growth, while reducing volumes at the near-capacity regional lounge. 75% of the seating in this area has device charging access and the area seats more than 150 people.
- CIAL has made ongoing improvements to digital wayfinding, as technology evolves.
- CIAL was named one of the world's best airports by winning the Skytrax award for the Best Regional Airport for Australia/Pacific.

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

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SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref *Version 4.0*

16a: Aircraft statistics

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

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Airbus A320	2,211	169,538
Airbus A330-200	1	238
Airbus A330-300	54	12,423
Airbus A350-900 XWB	39	10,725
Airbus A380-800	365	209,875
Boeing 737-700	3	210
Boeing 737-800	2,061	162,850
Boeing 767-300	2	374
Boeing 777-200	396	116,757
Boeing 787-800	230	52,440
Boeing 787-900	36	9,030
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
Total	5,398	744,460

Regulated Airport: **Christchurch International Airport Ltd**
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SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref *Version 4.0*

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

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Airbus A320	10,738	785,835
Boeing 737-800	1	79
Boeing 777-200	12	3,571
Boeing 777-300ER	27	9,491
Boeing 787-900	40	10,033
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
Total	10,818	809,009

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
ATR-72-500	1,991	44,798
ATR-72-600	12,770	287,325
Convair 580	52	1,274
DHC-8-300 Dash 8	3,984	77,708
Pilatus PC-12	852	3,834
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
Total	19,649	414,939

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SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref | *Version 4.0*

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

	Total number of landings	Total MCTOW (tonnes)
Air passenger service aircraft less than 3 tonnes MCTOW	–	–
Freight aircraft	1,590	125,431
Military and diplomatic aircraft	440	36,193
Other aircraft (including General Aviation)	10,411	50,193

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

	Total number of landings	Total MCTOW (tonnes)
Total	48,306	2,180,225

16b: Terminal access

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

	Contact stand–airbridge	Contact stand–walking	Remote stand—bus	Total
International air passenger service movements	10,766	–	–	10,766
Domestic jet air passenger service movements	21,660	–	–	21,660

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

16c: Passenger statistics

	Domestic	International	Total
The total number of passengers during disclosure year			
Inbound passengers†	2,544,979	872,708	3,417,687
Outbound passengers†	2,566,475	881,801	3,448,276
Total (gross figure)	5,111,454	1,754,509	6,865,963
less estimated number of transfer and transit passengers		–	–
Total (net figure)			6,865,963

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

16d: Airline statistics

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

Domestic	International
Air Nelson	Air New Zealand
Mount Cook Airlines	China Airlines
Air New Zealand	China Southern Airlines
Jetstar	Emirates
Air Chathams	Jetstar
Sounds Air	Qantas
	Singapore
	Virgin Australia
	Fiji Airways
	Cathay Pacific

Regulated Airport: **Christchurch International Airport Ltd**
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SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref *Version 4.0*

16e: Human Resource Statistics

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
Number of full-time equivalent employees	59.0	75.0	2.0	136.0
Human resource costs ($000)				14,031

Commentary concerning the report on associated statistics

Source of Data

Data collated for air passenger services is obtained from CIAL's Airline Billing Database, which is compiled from information electronically provided monthly from the Airways Corporation information system. The data for terminal access figures originates from Airlines, customs, and FIDs (Flight information data system).
The human resource statistics have been calculated from payroll figures as at the end of June 2018.

Human Resource Movements

CIAL continues to look for efficiency and productivity gains. During the 2018 Disclosure year, CIAL entered into an agreement with City Care Limited for the provision of assets maintenance services. This involved the transfer of maintenance employees and certain assets to City Care. This has created a downward effect on the reported numbers above when compared to our 2017 disclosures.

Other Movements

CIAL does not collect International Transit/Transfer numbers.
Air passenger services on aircraft less than 3 tonnes MCTOW are not collected by CIAL due to the small number of passenger services in this category.

PSE3 Forecast to Actual Comparison

The following table shows a comparison between our pricing forecasts to actual outcomes for the 2018 Disclosure year, being the first year of the current PSE3 pricing period. This comparison includes passenger movements, landings, and MCTOW.

	PSE3-2018	ID-2018	PSE3 Year 1
Passengers Movements	**Pricing Forecast**	**Actual**	**Variance**
International Arrivals	830,476	872,708	5.1%
International Departures	830,475	881,801	6.2%
Total International	**1,660,951**	**1,754,509**	**5.6%**
Domestic Arrivals	2,516,814	2,544,979	1.1%
Domestic Departures	2,516,813	2,566,475	2.0%
Total Domestic	**5,033,627**	**5,111,454**	1.5%
Total Passenger Movements	**6,694,578**	**6,865,963**	**2.6%**

Landings	**Pricing Forecast**	**Actual**	**Variance**
Domestic Flight of 3 tonnes or more but less than 30 tonnes MCTOW	15,247	19,649	28.9%
Domestic flights of 30 tonnes MCTOW or more	16,567	10,818	-34.7%
Total Domestic	**31,814**	**30,467**	**-4.2%**
International Flights	5,477	5,398	-1.4%
Total Landings	**37,291**	**35,865**	**-3.8%**

MCTOW	**Pricing Forecast**	**Actual**	**Variance**
Domestic Flight of 3 tonnes or more but less than 30 tonnes MCTOW	316,956	414,939	30.9%
Domestic flights of 30 tonnes MCTOW or more	888,377	809,009	-8.9%
Total Domestic	**1,205,333**	**1,223,948**	**1.5%**
International Flights	750,743	744,460	-0.8%
Total MCTOW	**1,956,076**	**1,968,408**	**0.6%**

The outcomes for the 2018 Disclosure year show that fewer seats were actually operated across all categories than was originally indicated in the schedules used as a basis for the PSE3 pricing forecast. However, there was much stronger growth in passenger demand (and hence load factors) than forecast. Passenger demand can be driven by economic growth, changes in airfares, marketing and a number of other factors which from an airport perspective are more difficult to predict and have less visibility than the future airline schedules. In particular, international demand is naturally more changeable and harder to forecast than domestic demand, in particular due to a higher proportion of leisure and 'optional travel'.

The outcome for the 2018 Disclosure year has been that total passenger numbers exceeded those forecast by 2.6% overall. Domestic passenger movements were within 1.5% of those forecast and total international passenger movements exceeded those forecast by 5.6%.

A detailed analysis of passenger movement variances is outlined in Section 8 of the Executive Summary accompanying these schedules.

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For Year Ended: **30 June 2018**

SCHEDULE 17: REPORT ON PRICING STATISTICS

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17a: Components of Pricing Statistics

	($000)
Net operating charges from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	9,576
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	16,377
Net operating charges from airfield activities relating to international flights	7,420
Net operating charges from specified passenger terminal activities relating to domestic passengers	29,277
Net operating charges from specified passenger terminal activities relating to international passengers	13,481

	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	1,964,382
Number of domestic passengers on flights of 30 tonnes MCTOW or more	3,147,072
Number of international passengers	**1,754,509**

	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	863,117
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,890,878
Total MCTOW of international flights	1,588,361

17b: Pricing Statistics

	Average charge ($ per passenger)	Average charge ($ per tonne MCTOW)
Average charge from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	4.87	11.09
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	5.20	8.66
Average charge from airfield activities relating to international flights	4.23	4.67

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from specified passenger terminal activities	5.73	7.68

	Average charge ($ per domestic passenger)	Average charge ($ per international passenger)
Average charge from airfield activities and specified passenger terminal activities	10.81	11.91

Commentary on Pricing Statistics

As outlined in CIAL's PSE3 price setting disclosure, its primary goal is increasing the productivity and efficient use of its existing assets. Accordingly, CIAL proposed setting its PSE3 prices on a per passenger basis. Per passenger prices allow CIAL to increase and incentivise flexible and efficient use of its airfield and terminal. They are also simple to understand, transparent and (as the Commission identified) likely to reduce airlines' exposure to demand risk. CIAL considers (and the majority of airlines agreed) per passenger prices align CIAL's and airlines' interests.

CIAL's PSE3 price structure involves a re-balancing of prices compared to PSE2. Key features of the re-balancing (that will occur over PSE3 up to the 2022 Disclosure year) are:

- prices for international passengers are reducing over PSE3 when considered at a per passenger level.
- domestic prices for non-regional services remain similar to PSE2.
- prices for regional services are increasing over PSE3, largely as a result of CIAL's long term price structure taking full account of terminal services provided in conjunction with the Regional Lounge.

For the 2018 Disclosure year, average airline charges per passenger at Christchurch Airport fell 8.6% to $11.09 as compared to $12.13 in the prior 2017 Disclosure year.

Further discussion in respect to passenger numbers and related net revenue is included in the Executive Summary preceding this disclosure statement.

Regulated Airport: **Christchurch International Airport Ltd**

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SCHEDULE 25: TRANSITIONAL REPORT ON REGULATORY ASSET BASE VALUE FOR LAND

ref *Version 4.0*

25: Regulatory Asset Base Value for Land

	Unallocated RAB ($000)	RAB ($000)
Estimated value of land assets for the 2009 year	–	
Capital expenditure on land for disclosure year 2010	–	
Value of disposed assets on land for disclosure year 2010 (negative amount)	–	
Estimated value of land assets for the 2011 year	–	
Capital expenditure on land for disclosure year 2011	–	
Value of disposed assets on land for disclosure year 2011 (negative amount)	–	
Initial RAB value	–	–

Commentary

CIAL revalued its land under the MVAU valuation methodology in 2013. As such CIAL has not provided the land valuation information above as the MVAU valuation increased the RAB by $+4.407m in our 2013 disclosure statement.

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SCHEDULE 21 – CERTIFICATION FOR DISCLOSED INFORMATION – YEAR ENDED 30 JUNE 2018

We, Catherine Drayton and Kate Morrison, being directors of Christchurch International Airport Limited certify that, having made all reasonable enquiry, to the best of our knowledge, the following attached audited information of Christchurch International Airport Limited prepared for the purpose of clauses 2.3(1) and 2.4(1) of the Airport Services Input Methodologies Determination 2010 in all material respects complies with that determination.

Catherine Drayton
Chair
26 November 2018

Kate Morrison
Director
26 November 2018

Independent Auditor's Report

To the directors of Christchurch International Airport Limited and to the Commerce Commission

The Auditor-General is the auditor of Christchurch International Airport Limited (the company). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to provide an opinion, on his behalf, on Schedules 1 to 17 for the regulatory year ended 30 June 2018 ('the Airport Disclosure Schedules'), prepared by the company in accordance with the Airport Services Information Disclosure Determination 2010 (the 'Determination').

Directors' responsibility for the Airport Disclosure Schedules

The directors of the company are responsible for preparation of the Airport Disclosure Schedules in accordance with the Determination, and for such internal control as the directors determine is necessary to enable the preparation of Airport Disclosure Schedules that are free from material misstatement.

Auditor's responsibility

Our responsibility is to express an opinion on whether the Airport Disclosure Schedules have been prepared, in all material respects, in accordance with the Determination.

Basis of opinion

We conducted our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE (NZ) 3000) and Standard on Assurance Engagements 3100: Compliance Engagements issued by the New Zealand Institute of Chartered Accountants.

These standards require that we comply with ethical requirements and plan and perform our engagement to provide reasonable assurance (which is also referred to as 'audit' assurance) about whether the Airport Disclosure Schedules have been prepared in all material respects in accordance with the Determination.

An engagement to provide reasonable assurance involves performing procedures to obtain evidence about the amounts and disclosures in the Airport Disclosure Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Airport Disclosure Schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the Airport Disclosure Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of assumptions used and whether they have been consistently applied; and
- the reasonableness of the significant judgements made by the directors of the company.

Use of this report

This report has been prepared for the directors of the company and for the Commerce Commission for the purpose of providing those parties with independent audit assurance about whether the Airport Disclosure Schedules have been prepared, in all material respects, in accordance with the Determination. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of the company or the Commerce Commission, or for any other purpose than that for which it was prepared.

Scope and inherent limitations

Because of the inherent limitations of an audit engagement, and the test basis of the procedures performed, it is possible that fraud, error or non-compliance may occur and not be detected.

We did not examine every transaction, adjustment or event underlying the Airport Disclosure Schedules nor do we guarantee complete accuracy of the Airport Disclosure Schedules. Also we did not evaluate the security and controls over the electronic publication of the Airport Disclosure Schedules.

The opinion expressed in this report has been formed on the above basis.

Independence

When carrying out the engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants. We also complied with the independent auditor requirements specified in clause 1.4 of the Determination.

The Auditor-General, and his employees, may deal with the company on normal terms within the ordinary course of trading activities of the company. Other than any dealings on normal terms within the ordinary course of business, this engagement, our report to the bond trustee and the annual audit of the company's financial statements, we have no relationship with or interests in the company.

Opinion

In our opinion:

- Subject to clause 2.6(3) of the Determination, and as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Airport Disclosure Schedules have been kept by the company.

- Subject to clause 2.6(2) of the Determination, the disclosure information in Schedules 1 to 17 complies, in all material respects, with the Determination.

We have obtained all the information and explanations we have required.

Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
26 November 2018