CHRISTCHURCH INTERNATIONAL AIRPORT LTD

SPECIFIED AIRPORT ANNUAL INFORMATION DISCLOSURE

YEAR ENDED 30 JUNE 2019

30 November 2019

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 2019 ("2019 Disclosure").

The 2019 Disclosure represents the second annual disclosure under PSE3, being the period from 1 July 2017 to 30 June 2022.

This executive summary provides some background to this disclosure – the regulatory regime and an overview of CIAL's business and strategic objectives.

[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".

It also provides an overview of the information the 2019 Disclosure templates provide on the performance of the company for the current year and for the cumulative two-year period to date completed within the five-year cycle of PSE3.

As noted above this is the second annual disclosure under PSE3, so should be read in conjunction with CIAL's PSE3 price setting event disclosures published on 14 August 2017 and CIAL's first annual disclosure for the year ended 30 June 2018, published on 30 November 2018.

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 29 November 2019: https://gazette.govt.nz/notice/id/2019-gs5346;
- 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 2019; 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

When setting its PSE3 prices, CIAL took account of feedback received as a result of the Commission's summary and analysis of CIAL's PSE2 disclosure under section 53B of the Act.

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 undertakes 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 in the future 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 70% 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 remains extremely dynamic. The FY20 financial year ended 30 June 2020 is shaping up to be a challenging aeronautical environment with Air New Zealand signalling a reduction in domestic capacity, Jetstar exiting from its regional services, Virgin Australia ceasing its CHC-SYD service and airlines dealing with several aircraft and engine issues. This is coupled with slowing economies in most international source markets.

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 2019 Disclosure year, CIAL continues to see 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 11 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.

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.

2019 REGULATORY REPORTING SUMMARY

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 second annual disclosure under PSE3. In the following sections, we outline the key points that the 2019 Disclosure presents in respect to the performance of CIAL's regulated activities for the current year and for the cumulative two-year period to date completed within the five-year cycle of PSE3.

It should be read in conjunction with CIAL's PSE3 price setting event disclosures published on 14 August 2017 and CIAL's first annual disclosure for the year ended 30 June 2018, published on 30 November 2018.

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).

Passenger Demand

- *Forecasting Process*

  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.

  The process followed by CIAL to derive its passenger demand forecasts as part of the PSE3 price setting consultation process, was explained in detail in the Executive Summary to CIAL's last annual disclosure for the year ended 30 June 2018.

  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 available airline schedules at the time, sourced from IATA in March 2017.

  Beyond the 2018 year, including the current 2019 Disclosure year, passenger forecasts were based on an assessment of growth and/or change compared to the prior year.

- *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 recent 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 per annum.

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]

Also, as noted in Section 6 above, the aviation landscape remains extremely dynamic, 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.

- *2019 Disclosure Year and Pricing Period to Date Variances*

In respect to the 2019 Disclosure year, CIAL has seen some variances in seat capacity and passenger flows as compared to forecast (refer to table below):

2019 Year	Actual			PSE Forecast			Variance		
	Seats	PAX	Load Factor	Seats	PAX	Load Factor	Seats	PAX	Load Factor
International	2,251,243	1,766,937	78.5%	2,264,564	1,702,106	75.2%	-13,321	64,831	3.3%
Domestic	6,177,685	5,164,504	83.6%	6,493,558	5,180,106	79.8%	-315,873	-15,602	3.8%
TOTAL	8,428,928	6,931,441	82.2%	8,758,122	6,882,212	78.6%	-329,194	49,229	3.6%

The outcomes for the 2019 Disclosure year show that a significantly lower number of seats were actually operated across the domestic network in particular during the year, than was originally indicated in the schedules used as a basis for the forecast (circa 315,000 domestic seats fewer).

However, there continued to be stronger growth in passenger demand (and hence load factors) than forecast. Passenger demand can be driven by economic growth, changes in airfares, marketing and several 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 2019 Disclosure year has been that total passenger numbers exceeded that forecast by just under 50,000 (or 0.7%) overall. Domestic passenger numbers were essentially in line with forecast (just 0.3% below), whilst international passenger movements exceeded that forecast by 3.8% (noting that international passenger movements as a proportion were 25.5% of all movements).

[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**).

International Variances

In respect to international capacity, at the time the 2019 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:

- Capacity across the Tasman was relatively flat in the 2019 Disclosure year, with some airlines increasing capacity and others pulling back. However, most airlines flying the Tasman experienced higher load factors than forecast during PSE3. (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.
- In the 2019 Disclosure year, CIAL had the benefit of additional summer frequencies on its existing long-haul route to Guangzhou which were not originally scheduled – providing around (*+30,000)* more passengers than forecast.

Domestic Variances

During the 2019 Disclosure year, our major customer Air New Zealand reduced its domestic capacity to a level significantly lower than forecast to meet market conditions (circa 300,000 domestic seats fewer than forecast or 4.8%).

Despite this slower than forecast capacity, domestic passenger numbers were essentially in line with the PSE3 forecast as a result of significantly higher load factors than forecast (up 3.8% in absolute terms). Note comments above in respect to difficulties in forecasting load factors for airports.

Capacity and passenger numbers on the CHC-WGN and CHC-ZQN routes continues to be lower than forecast. This has been offset by continued increases in regional load factors to an average above 80% on many routes.

When reviewing the first two years of the PSE3 forecast period, the table below shows a similar trend to that previously explained for both the 2018 and 2019 Disclosure years. i.e. lower capacity that forecast, offset by much higher load factors.

Overall for the two years of PSE3 to date, passenger numbers are circa 3.4% higher than forecast. However, it should be noted that in the current year to 30 June 2020 (FY20), we are experiencing a further softening of domestic capacity in particular. In the first four months of FY20, passenger numbers are tracking slightly below FY19 numbers. This is much lower than the PSE3 forecast for that period, so we still believe that passenger forecasts over the full five-year period will not be materially different to that forecast.

PSE3 2 Year Period to Date	Actual			PSE Forecast			Variance		
	Seats	PAX	Load Factor	Seats	PAX	Load Factor	Seats	PAX	Load Factor
International	4,499,799	3,521,446	78.3%	4,536,786	3,363,057	74.1%	-36,987	158,389	4.2%
Domestic	12,391,837	10,275,958	82.9%	12,803,488	10,213,733	79.8%	-411,651	62,225	3.1%
TOTAL	16,891,636	13,797,404	81.7%	17,340,274	13,576,790	78.3%	-448,638	220,614	3.4%

Priced Revenue

Further analysis of the demand variances in respect to movements and MCTOW is included in Schedule 16.

This above forecast level of passenger movements has resulted in revenue* from priced services being some $1.87m (or 2.3%) above the PSE3 pricing forecast for the 2019 Disclosure year.

** 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 2019 Disclosure year, CIAL's revenue from non-priced services has exceeded the PSE3 pricing forecast by approximately $1.7m. 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 against that forecast during the PSE3 price setting process, both for the current disclosure year and pricing period to date. This provides interested parties with a measure of our operating cost efficiency and prompts more informed discussions about what is causing departures from our forecasts made in 2016 and 2017.

In this 2019 Disclosure we discuss our operating expenditure variances in Schedules 6 and 7.

As explained in these schedules the operating costs for the 2019 Disclosure year were slightly above that forecast when setting prices, at a total of $36.4m compared to a forecast of $35.6m.

** 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 was 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.

For the two period of PSE3 to date, operating costs (excluding incentives) were $71.9m as compared to a forecast of $70.8m. The reasons for this slightly higher than forecast level of operating costs across the first two years of PSE3 are consistent and in line with explanations noted above for the current year.

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 2019 Disclosure year including:

- *Strategy-Led Asset Management* – a continued transition 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. Work began in March 2019 to install similar infrastructure to replace the Terminal Energy centre boiler with a ground-source heat pump system.
  - 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. CIAL is continuing to develop ground-based power at specific gates to reduce carbon emissions, aircraft fuel usage and lower airlines operating costs. This service will come online at additional gates in FY20.

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."[3]

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.

[3] Final Report at [B98]

In respect to the 2019 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 2019 Disclosure year were well above that forecast when setting prices, at a total of $4.8m compared to a forecast of $2.4m.

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.

  In addition, the input methodologies require us to record as pricing incentives, charges that are discounted from that shown in our PSE3 pricing schedule (as well as grossing up the related revenue received). In the 2019 Disclosure year discounts to the published charges were provided for the use of the new Gate 15.

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 2019 Disclosure year, CIAL's actual capital expenditure at $18.8m was ahead of the forecast amount of $12.6m. However, assets commissioned in the 2019 Disclosure year (i.e. brought into the regulatory asset base) at $11.8m 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.

The explanation of variances in capital expenditure spend between actual and forecast for the 2019 Disclosure year are discussed in detail at Schedule 6.

For the two-year period of PSE3 to date, total capital expenditure at $34.1m is slightly ahead (5.6%) of that forecast, whilst assets commissioned into the regulatory assets base are almost exactly in line with forecast.

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 previous regulatory Schedule 1, did not require the disclosure of a backward-looking IRR but instead a straight annual return on investment calculation.

Consequently, in June this year, the Commission addressed this difference in approach by changing the backward-looking disclosure requirements (i.e. Schedule 1) to align with the approach to assessing forward looking profitability in our PSE3 disclosures.

The amendments to these disclosure requirements became effective for CIAL from 13 June 2019 and consequently the attached schedules include a new Schedule 1 template focused on backward looking profitability using an IRR approach.

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.

Discussion around revenue, operating expenditure and capital expenditure outcomes for the 2019 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 post-tax annual IRR for the 2019 Disclosure year has been calculated at 7.74%. This compares to the PSE3 forecast annual IRR for the 2019 Disclosure year of 7.12%.

As shown in Schedule 2, CIAL's regulatory operating surplus was essentially in line with PSE3 forecasts for the 2019 Disclosure year.

However, the other key variable in the IRR calculation is the opening and closing RAB values. As noted above, whilst the assets commissioned during FY19 were in line with forecast, the transfer of the Gate 15 area of the terminal into the RAB has increased the closing RAB value by circa $4m which in turn raises the annual IRR return calculation based on the assumption that a higher value would be recovered at the end of the period.

This change in terminal allocation has a 0.77% positive effect in the IRR calculation for FY19. Eliminating the effect of this asset transfer, would mean that the actual and forecast annual IRR in FY19 would be closely aligned.

For the two-year period to date, the IRR has been calculated at 6.83% as against a forecast of 6.17%. This mostly driven by the higher than forecast return in FY19 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 period to date IRR at 6.83% is slightly higher than the forecast for all five 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.[4] Those same average scores were also achieved for the 2019 Disclosure year.

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 2019 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 2019 include:

- A Digital Lounge has been introduced within the Integrated Terminal which is available to all airport visitors.
- To mark a hundred years since the birth of Sir Edmund Hillary, The Hillary Step, a commemorative space was introduced within the Integrated Terminal for airport visitors to enjoy.
- CIAL continues to make improvements to digital wayfinding, as technology evolves.

[4] Final Report at [B160].

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.

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 2019 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 are 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.

CIAL also notes that to facilitate the efficient and flexible use of the terminal asset, 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 remains well utilised by a higher proportion of ATR aircraft than initially anticipated.

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.

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 five key areas being – Water, Energy, Waste, Noise and Carbon.

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

- *CIAL has made a commitment to transition its light vehicle fleet to electric vehicles by 2025* – in line with this commitment, CIAL has converted 11 of our 21 vehicles to electric vehicles currently.
- *Safety Leadership* – Safety-II principles have been introduced as well as a new protection to performance strategy, involving all CIAL Leaders and Board of Directors.

  An Aviation System Management System audit was completed by CAA as well as an independent review of our Safety Management System.
- CIAL has commenced work on an Acoustic Treatment program with seven properties in the process of receiving acoustic treatment.
- CIAL and NASA hosted an Open Day for the SOFIA aeroplane (Stratospheric Observatory for Infrared Astronomy).
- With the events of 15 March 2019 in Christchurch City, that created significant disruption to normal operations, with just over 7 hours' notice CIAL transformed various spaces within the terminal to ensure screening and increased security measures were in place to allow regional operations to re-commence the following day. This remained in place for the following two weeks while screening remained. CIAL worked closely with airlines, ground handlers and terminal tenants to continuously improve the way the terminal and apron areas functioned during this period.

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.

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 2019
Disclosure Year (year ended)	30 June 2019
Pricing period starting year (year ended)	30 June 2018

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

Table of Contents

Disclosure Template Guidelines for Information Entry

Internal consistency check | OK

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

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

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

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

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

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

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**
Pricing period starting year (year ended)	**30 June 2018**

SCHEDULE 1: REPORT ON PROFITABILITY

ref *Version 5.0*

1a: Internal Rates of Return

	Actual for Current Disclosure Year	Forecast for Current Disclosure Year	Variance
Post-tax IRR - pricing period to date (%)	6.83%	6.17%	0.66%
Post-tax IRR - current year (%)	7.74%	7.12%	0.62%

1a(i): Pricing Period to Date IRR

($000 unless otherwise specified)

		Actual for Period to Date	Forecast for Period to Date	Variance
	Opening RAB	521,432	524,373	(2,941)
	Opening carry forward adjustment	(8,789)	(7,806)	(983)
	Opening investment value	530,221	532,179	(1,958)
plus	Total regulatory income	193,067	186,019	7,048
less	Assets commissioned	30,849	32,315	(1,466)
plus	Asset disposals	1,053	–	1,053
less	Operational expenditure	81,761	78,686	3,075
less	Unlevered tax	22,246	19,048	3,198
	RAB value	534,032	534,128	(96)
	Closing carry forward adjustment	(8,789)	(7,806)	(983)
	Closing investment value	542,821	541,934	887
	Post-tax IRR for pricing period to date (%)	6.83%	6.17%	0.66%

1a(ii): Current Year Annual IRR

		Actual for Current Disclosure Year	Forecast for Current Disclosure Year	Variance
	Opening RAB	527,404	530,385	(2,981)
	Opening carry forward adjustment	(8,789)	(7,806)	(983)
	Opening investment value	536,193	538,191	(1,998)
plus	Total regulatory income	98,468	94,863	3,605
less	Assets commissioned	11,784	12,623	(839)
plus	Asset disposals	–	–	–
less	Operational expenditure	41,238	37,920	3,318
less	Unlevered tax	11,535	10,359	1,176
	RAB value	534,032	534,128	(97)
	Closing carry forward adjustment	(8,789)	(7,806)	(983)
	Closing investment value	542,821	541,934	887
	Post-tax IRR for current year (%)	7.74%	7.12%	0.62%

Explanation of variances

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

The Commission granted CIAL a conditional exemption for our 2018 disclosure statement for Schedule 1 – Report on Returns. CIAL reported an IRR of 5.96% within our 2018 disclosure statement. In June this year the Commission changed the backward-looking disclosure requirements of Schedule 1 to align with the approach to assessing forward looking profitability in our PSE3 disclosures. Consequently these 2019 Disclosures include this new Schedule 1 template. Using this new annual disclosure template the IRR for 2018 calculates to 5.99%. The minor difference relates to the inclusion of monthly asset commissions into the IRR calculation as required by the new template.

Key variances between our forecast current year IRR values and those detailed within this 2019 disclosure statement are:

- actual priced services revenue is above forecast by around $1.9m but operational expenditure is above forecast by around $3m thus providing for a net position (putting aside cash flow timing differences) of (-$1.1m). On a current year post-tax IRR basis this amounts to a variance of -0.20%.
- actual leased/rental income is above forecast by around $1.5m. On a current year post-tax IRR basis this amounts to a variance of +0.30%
- with the gate 15 and the digital lounge space changes the non-disclosure and disclosure footprint of the terminal has changed for the 2019 disclosure statement. This has resulted in an increase to closing RAB of $4m (through the adjustment resulting from cost allocations - see schedule 4). On a current year post-tax IRR basis this change amounts to a variance of +0.77% being most of this years IRR variance.

The post-tax IRR for the current year of 7.74% with the variances stripped out for the RAB (-0.77%), the leased/rental income (-0.3%), and the pricing services/operating expenditure impact (+0.20%) gives an IRR of 6.87% as against the PSE3 year 2 post-tax IRR of 7.12%. The remaining difference relates to asset commissioning and regulated depreciation differences.

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2019
Pricing period starting year (year ended)	30 June 2018

SCHEDULE 1: REPORT ON PROFITABILITY (cont)

ref *Version 5.0*

1b: Actual IRR Inputs

	Pricing Period Starting Year 30 June 2018	Pricing Period Starting Year + 1 30 June 2019	Pricing Period Starting Year + 2 30 June 2020	Pricing Period Starting Year + 3 30 June 2021	Pricing Period Starting Year + 4 30 June 2022
Opening RAB	521,432	527,404	–	–	–
Opening carry forward adjustment	(8,789)	(8,789)	–	–	–
Opening investment value	530,221	536,193	–	–	–
Total regulatory income	94,599	98,468	–	–	–
Assets commissioned - 1st month	2,259	142	–	–	–
Assets commissioned - 2nd month	186	281	–	–	–
Assets commissioned - 3rd month	263	194	–	–	–
Assets commissioned - 4th month	391	239	–	–	–
Assets commissioned - 5th month	551	133	–	–	–
Assets commissioned - 6th month	5,927	105	–	–	–
Assets commissioned - 7th month	15	1,285	–	–	–
Assets commissioned - 8th month	3	84	–	–	–
Assets commissioned - 9th month	722	615	–	–	–
Assets commissioned - 10th month	481	2,803	–	–	–
Assets commissioned - 11th month	4,506	383	–	–	–
Assets commissioned - 12th month	3,761	5,520	–	–	–
Asset disposals	1,053	–	–	–	–
Operational expenditure	40,523	41,238	–	–	–
Unlevered tax	10,711	11,535	–	–	–
RAB value	527,404	534,032	–	–	–
Closing carry forward adjustment	(8,789)	(8,789)	–	–	–
Closing investment value	536,193	542,821	–	–	–
Post-tax IRR - pricing period to date (%)	5.99%	6.83%	–	–	–

1c: Carry Forward Balance

	Actual	Forecast	Variance
Opening carry forward adjustment	(8,789)	(7,806)	(983)
Default revaluation gain/loss adjustment	–	–	–
Risk allocation adjustment	–	–	–
Other carry forward adjustment – forecast	–	–	–
Other carry forward adjustment – not forecast	–		–
Closing carry forward adjustment	(8,789)	(7,806)	(983)

Commentary on Carry forward balance

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 our 2018 disclosure statement, under the mechanism the Commission added during its review of the Input Methodologies. CIAL is continuing to carry this adjustment forward in our 2019 disclosure statement.

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). Some substantial customers noted there was an element of complexity to the calculation of this carry forward adjustment, which resulted in an independent review by Deloitte.

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). As mentioned CIAL is carrying this adjustment forward in our 2019 disclosure statement.

1d: Cash flow timing assumptions

	Forecast cash flow timing assumption
Cash flow timing - revenues - days from year end	148
Cash flow timing - expenditure - days from year end	182

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT

Version 5.0

2a: Regulatory Profit

($000 unless otherwise specified)

		Actual	Forecast	Variance
Income				
	Airfield Charges	37,041	36,376	665
	Terminal Charges	45,294	44,105	1,189
	Counter Charges	2,088	2,071	17
	Passenger Service Charges	–	–	–
	Lease, rental and concession income	13,986	12,311	1,675
	Other operating revenue	–	–	–
	Net operating revenue	98,409	94,863	3,546
	Gains / (losses) on sale of assets	–	–	–
	Other income	59	–	59
	Total regulatory income	98,468	94,863	3,605
Expenses				
	Operational expenditure:			
	Corporate overheads	7,986	7,169	817
	Asset management and airport operations	30,940	28,888	2,052
	Asset maintenance	2,312	1,863	449
	Total operational expenditure	41,238	37,920	3,318
Operating surplus / (deficit)		57,230	56,943	287
	Regulatory depreciation	18,024	19,574	(1,550)
plus	Indexed revaluation	8,893	10,693	(1,800)
plus	Periodic land revaluations	–	–	–
	Total revaluations	8,893	10,693	(1,800)
Regulatory Profit / (Loss) before tax		48,099	48,062	37
less	Regulatory tax allowance	10,469	10,359	110
Regulatory Profit / (Loss)		37,630	37,703	(73)

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**

SCHEDULE 2: REPORT ON THE REGULATORY PROFIT (cont)

ref *Version 5.0*

2b: Notes to the Report

2b(i): Financial Incentives

49	Pricing incentives	4,865	
50	Other incentives	323	
51	Total financial incentives		5,188

2b(ii): Rates and Levy Costs

54	Rates and levy costs	2,375

2b(iii): Merger and Acquisition Expenses

57	Merger and acquisition expenses	–

Justification for Merger and Acquisition Expenses

Merger and Acquisition Expenses
There were no merger and acquisition expenses.

Financial 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
- 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 2019 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 2019**

SCHEDULE 3: REPORT ON THE REGULATORY TAX ALLOWANCE

Version 5.0

3a: Regulatory Tax Allowance

					($000)
		Regulatory profit / (loss) before tax			48,099
	plus	Regulatory depreciation	18,024		
		Other permanent differences—not deductible	27	*	
		Other temporary adjustments—current period	1,467	*	
					19,518
	less	Total revaluations	8,893		
		Tax depreciation	15,991		
		Notional deductible interest	3,808		
		Other permanent differences—non taxable	–	*	
		Other temporary adjustments—prior period	1,537	*	
					30,229
		Regulatory taxable income (loss)			37,388
	less	Tax losses used	–		
		Net taxable income			37,388
		Statutory tax rate (%)	28.0%		
		Regulatory tax allowance			10,469
		Notional interest tax shield	1,066		
		Unlevered tax			11,535

** 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;
- Other temporary adjustments—prior period: are the reversal of the previous year's accruals (including Holiday Pay provisions);

3b(ii): Tax Depreciation Roll-Forward

	Opening RAB (Tax Value)	247,110	
plus	Regulatory tax asset value of additions	12,028	
less	Regulatory tax asset value of disposals	–	
plus	Regulatory tax asset value of assets transferred from/(to) unregulated asset base	–	
less	Tax depreciation	15,991	
plus	Other adjustments to the RAB tax value	2,137	
	Closing RAB (tax value)		245,284

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

	Tax losses (regulated business)—prior period	–	
plus	Current year tax losses	–	
less	Tax losses used	–	
	Tax losses (regulated business)		–

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

RAB value - previous year	527,404
Debt leverage assumption (%)	19%
Cost of debt assumption (%)	3.80%
Notional deductible interest	3,808
Tax rate (%)	28.0%
Notional interest tax shield	1,066

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 4: REPORT ON REGULATORY ASSET BASE ROLL FORWARD

Version 5.0

ref			($000)	Actual ($000)	Forecast ($000)	Variance ($000)
8		**RAB value—previous disclosure year**		527,404	530,385	(2,981)
10	*less*	Regulatory depreciation		18,024	19,574	(1,550)
11	*plus*	Total revaluations		8,893	10,693	(1,800)
12	*plus*	Assets Commissioned		11,784	12,623	(839)
13	*less*	Asset disposals		–	–	–
14	*plus*	Lost and found assets adjustment		–	–	–
15		Adjustment resulting from cost allocation		3,975	–	3,975
17		**RAB value †**		534,032	534,128	(97)

ref				Unallocated RAB *		RAB
20		**RAB value—previous disclosure year**		589,417		527,404
22	*less*	**Regulatory depreciation**		21,005		18,024
24	*plus*	Indexed revaluations	9,861		8,893	
25		Periodic land revaluations	–		–	
26		**Total revaluations**		9,861		8,893
28	*plus*	Assets commissioned (other than below)	13,588		11,784	
29		Assets acquired from a regulated supplier	–		–	
30		Assets acquired from a related party	–		–	
31		**Assets commissioned**		13,588		11,784
33	*less*	Asset disposals (other)	–		–	
34		Asset disposals to a regulated supplier	–		–	
35		Asset disposals to a related party	–		–	
36		**Asset disposals**		–		–
38	*plus*	**Lost and found assets adjustment**		–		–
40		**Adjustment resulting from cost allocation**				3,975
42		**RAB value †**		591,861		534,032

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

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

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

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

ref *Version 5.0*

4b: Notes to the Report

4b(i): Regulatory Depreciation

	Unallocated RAB	RAB
Standard depreciation	–	–
Non-standard depreciation	21,005	18,024
Regulatory depreciation	21,005	18,024

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
CIAL set its PSE3 prices using, and has used in this disclosure, a tilted annuity method of depreciation. CIAL's substantial customers and the Commerce Commission supported CIAL's use of tilted annuity depreciation in price setting.	18,024	2018	534,032	522,900

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

CPI at CPI reference date—previous year (index value)	1,015
CPI at CPI reference date—current year (index value)	1,032
Revaluation rate (%)	1.67%

Asset category revaluation rates	
Land	1.67%
Sealed Surfaces	1.67%
Infrastructure and buildings	1.67%
Vehicles, plant and equipment	1.67%

Revaluations		Unallocated RAB		RAB
Land	1,848		1,832	
Sealed Surfaces	2,039		2,039	
Infrastructure and buildings	5,752		4,849	
Vehicles, plant and equipment	222		173	
Indexed revaluation		9,861		8,893

4b(iv): Works Under Construction

		Unallocated works under construction		Allocated works under construction	
	Works under construction—previous disclosure year		3,264		2,801
plus	Capital expenditure	22,083		18,840	
less	Asset commissioned	13,588		11,784	
plus	Adjustment resulting from cost allocation				(854)
	Works under construction		11,759		9,003

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

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

ref *Version 5.0*

4b(v): Capital Expenditure by Primary Purpose

ref				
97		Capacity growth	12,622	
98	*plus*	Asset replacement and renewal	6,218	
99		Total capital expenditure		18,840

4b(vi): Asset Classes

ref			Land	Sealed Surfaces	Infrastructure & Buildings	Vehicles, Plant & Equipment	Total *
102		RAB value—previous disclosure year	109,352	121,721	285,659	10,672	527,404
103	*less*	Regulatory depreciation	–	3,913	12,330	1,781	18,024
104	*plus*	Indexed revaluations	1,832	2,039	4,849	173	8,893
105	*plus*	Periodic land revaluations	–				–
106	*plus*	Assets commissioned	–	7,477	2,755	1,552	11,784
107	*less*	Asset disposals	–	–	–	–	–
108	*plus*	Lost and found assets adjustment	–	–	–	–	–
109	*plus*	Adjustment resulting from cost allocation	20	–	4,029	(74)	3,975
110		RAB value	111,204	127,324	284,962	10,542	534,032

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

4b(vii): Assets Held for Future Use

ref					
113		Assets held for future use opening cost—previous year		62,775	
114	*plus*	Holding costs	969		
115	*less*	Assets held for future use net revenue	30		
116	*plus*	Assets held for future use additions	786		
117	*less*	Assets held for future use disposals	–		
118	*less*	Transfers to works under construction	–		
119		Assets held for future use closing cost		64,500	
121		Opening base value		39,685	
122	*plus*	Assets held for future use revaluations	–		
123	*plus*	Assets held for future use additions	786		
124	*less*	Assets held for future use disposals	–		
125	*less*	Transfers to works under construction	–		
126		Closing base value		40,471	
128	*plus*	Opening tracking revaluations	7,250		
129		Tracking revaluations	7,250		
130		Highest rate of finance applied (%)			–

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2019

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS

ref *Version 5.0*

5(i): Related Party Transactions

	($000)
Net operating revenue	792
Operational expenditure	26,239
Related party capital expenditure	–
Market value of asset disposals	–
Other related party transactions	11,502

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
Skyline Enterprises Ltd	Common Directors
EBOS Group	Common Directors

5(iii): Related Party Transactions

Entity Name	Description of Transaction	Average Unit Price ($)	Value
Christchurch City Council (CCC)	Rates		5,351
Christchurch City Council (CCC)	Operational Expenditure		1,411
Christchurch City Council (CCC)	Revenue		4
Christchurch City Council (CCC)	Subvention Payment/Losses		8,143
Christchurch City Holdings Limited (CCHL)	Interest Paid		–
Connetics	Operational Expenditure		429
Enable Services Ltd	Revenue		1
Enable Services Ltd	Operational Expenditure		13
City Care Limited	Revenue		129
City Care Limited	Operational Expenditure		17,838
Red Bus Limited	Revenue		6
BECA Group Limited	Structural Engineering Services		519
University of Canterbury	Research		58
Orbit Travel & House of Travel Holdings Limited	Travel. Accommodation, Lease Tenancy		620
Skyline Enterprises Ltd	Rental Income		101
EBOS Group	Rental Income		551
-	-		–
-	-		–
Christchurch International Airport Limited	Management compensation of key personnel including Directors and Executive Management, incorporating salaries and other short term employee benefits		
	Directors Fees		317
	Executive Management		3,042

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2019

SCHEDULE 5: REPORT ON RELATED PARTY TRANSACTIONS (cont)

ref *Version 5.0*

60 **Commentary on Related Party Transactions**

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

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

65 • are conducted on an arm's length basis;
66 • result from the normal dealings of the parties; and
67 • 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.

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

71 CIAL has entered into an agreement with City Care Limited for the provision of asset maintenance services.

72
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Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 6: REPORT ON ACTUAL TO FORECAST PERFORMANCE

ref *Version 5.0*

6a: Actual to Forecast Expenditure

($000)

	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
Expenditure by Category						
Capacity growth	12,622	1,567	705.5%	23,657	13,844	70.9%
Asset replacement and renewal	6,218	11,056	(43.8%)	10,461	18,471	(43.4%)
Total capital expenditure	18,840	12,623	49.3%	34,118	32,315	5.6%
Corporate overheads	7,986	7,170	11.4%	15,916	14,847	7.2%
Asset management and airport operations	30,940	28,888	7.1%	61,332	60,153	2.0%
Asset maintenance	2,312	1,863	24.1%	4,513	3,686	22.4%
Total operational expenditure	41,238	37,921	8.7%	81,761	78,686	3.9%
Key Capital Expenditure Projects						
Jet Ground Power	–	1,567	(100.0%)	–	3,106	(100.0%)
Cat 3 Nav 02-20	–	–	Not defined	–	–	Not defined
Airfield Pavement Works	7,942	6,366	24.8%	12,059	9,021	33.7%
Taxiway Widening	–	–	Not defined	922	4,306	(78.6%)
Phase 3a - Regional Stands, Hangar 4 Removal	1,073	–	Not defined	1,618	2,709	(40.3%)
Terminal Development	3,587	–	Not defined	4,220	–	Not defined
Gate 15 Reconfiguration	–	–	Not defined	4,048	–	Not defined
-	–	–	Not defined	–	–	Not defined
-	–	–	Not defined	–	–	Not defined
Other capital expenditure	6,238	4,690	33.0%	11,251	13,173	(14.6%)
Total capital expenditure	18,840	12,623	49.3%	34,118	32,315	5.6%

Explanation of Variances

Operational Expenditure
Operating costs for the 2019 disclosure year were slightly above that forecast when setting prices, at a total of $36.4m compared to a forecast of $35.6m (excluding incentives which are discussed in Section 8 of the Executive Summary). The key reasons CIAL incurred higher operating costs than forecast comes from increased costs beyond our control discussed in Schedule 7 and Section 8 of the Executive Summary accompanying this disclosure statement.

Capital Expenditure
In respect to the 2019 disclosure year, CIAL's actual capital expenditure at $18.8m was ahead of the forecast amount of $12.6m (2018 disclosure year was $15.3m and $19.7m respectively). However, assets commissioned in the 2019 Disclosure year (i.e. brought into the RAB) at $11.8m were essentially in line with forecasts. Key variances in capital expenditure of note over the two years of PSE3 to date include:

Jet Ground Power($-3.1m)
The next stage of investment in jet ground power has been delayed this disclosure year. CIAL remains committed to increasing the number of stands able to offer this service. This will see a significant catch up of spend in the 2020 disclosure year.

Airfield Pavement Works ($+3.0m)
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 2019 disclosure year was $1.6m 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 complete ahead of forecast in the 2017 disclosure year. As such this variance remains the same as that detailed within our 2018 disclosure statement.

Hangar 4 Removal ($-1.0m)
This project has further advanced during the 2019 disclosure year. During the course of the demolition phase it was identified that the buildings and soil contain significant quantities of asbestos and other contaminated material, which has slowed the progress of the work and the commencement of subsequent stages.

Terminal Development ($+4.2m)
The key project in the 2019 disclosure year has been the connection of the terminal building with the outside space to improve the overall travelling experience. Significant to this has been a focus on overall traveller safety within the larger area outside the terminal building. Additionally a digital lounge has been created within the Integrated Terminal.

Gate 15 Reconfiguration ($+4.0m)
In respect to the development of Gate 15 no specific forecast was made for this project in our capital expenditure forecasts for PSE3; the work 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. Substantial customers were consulted about this project which was completed in the 2018 disclosure year; as such this variance has remained that detailed within our 2018 disclosure statement.

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

** Disclosure year coincides with Pricing Period Starting Year + 1.*

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

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

ref *Version 5.0*

6b: Forecast Expenditure

From most recent disclosure following a price setting event

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

	Expenditure by Category	for year ended	Pricing Period Starting Year 30 Jun 18	Pricing Period Starting Year + 1 30 Jun 18	Pricing Period Starting Year + 2 30 Jun 18	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
77	Capacity growth		12,277	1,567	10,959	2,683	6,726
78	Asset replacement and renewal		7,415	11,056	10,182	8,820	10,432
79	Total forecast capital expenditure		19,692	12,623	21,141	11,503	17,158
80							
81	Corporate overheads		7,677	7,170	7,337	7,489	7,645
82	Asset management and airport operations		31,265	28,888	29,386	29,950	30,525
83	Asset maintenance		1,823	1,863	1,907	1,946	1,987
84	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 18	Pricing Period Starting Year + 2 30 Jun 18	Pricing Period Starting Year + 3 30 Jun 21	Pricing Period Starting Year + 4 30 Jun 22
87	Jet Ground Power		1,539	1,567	1,066	1,086	–
88	Cat 3 Nav 02-20		–	–	–	–	5,540
89	Airfield Pavement Works		2,655	6,366	5,441	4,197	5,390
90	Taxiway Widening		4,306	–	–	–	–
91	Phase 3a - Regional Stands, Hangar 4 Removal		2,709	–	–	–	–
92	Terminal Development		–	–	8,539	–	–
93	Gate 15 Reconfiguration		–	–	–	–	–
94	-		–	–	–	–	–
95	-		–	–	–	–	–
96	-		–	–	–	–	–
97	Other capital expenditure		8,483	4,690	6,095	6,220	6,228
98	Total forecast capital expenditure		19,692	12,623	21,141	11,503	17,158

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

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

ref *Version 5.0*

106 **6c: Actual to Forecast Adjustments - Items Identified in Price Setting Events**

107	108 Proposed risk allocation adjustment	Units used	Actual for Current Disclosure Year (a)	Forecast for Current Disclosure Year* (b)	% Variance (a)/(b)-1	Actual for Period to Date (a)	Forecast for Period to Date* (b)	% Variance (a)/(b)-1	Estimated present value of the proposed risk allocation adjustment ($000)
109	N/A				Not defined			Not defined	
110	N/A				Not defined			Not defined	
111	N/A				Not defined			Not defined	
112	N/A				Not defined			Not defined	
113	N/A				Not defined			Not defined	
114	N/A				Not defined			Not defined	
115	N/A				Not defined			Not defined	
116	N/A				Not defined			Not defined	
117	N/A				Not defined			Not defined	
118	*include additional rows if needed								
119	Total proposed risk allocation adjustments								–

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

121 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.

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

155 ** Disclosure year Pricing Period Starting Year .*

156

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 7: REPORT ON SEGMENTED INFORMATION

ref *Version 5.0*

	Specified Passenger Terminal Activities	Airfield Activities	Aircraft and Freight Activities	($000) Airport Business*
Airfield Charges	–	37,041	–	37,041
Terminal Charges	45,294	–	–	45,294
Counter Charges	2,088	–	–	2,088
Passenger Service Charges	–	–	–	–
Lease, rental and concession income	5,016	351	8,619	13,986
Other operating revenue	–	–	–	–
Net operating revenue	52,397	37,393	8,619	98,409
Gains / (losses) on asset sales	–	–	–	–
Other income	28	29	2	59
Total regulatory income	52,426	37,422	8,620	98,468
Total operational expenditure	23,202	16,205	1,831	41,238
Regulatory depreciation	12,172	5,588	264	18,024
Total revaluations	4,053	3,923	917	8,893
Regulatory tax allowance	4,716	4,035	1,718	10,469
Regulatory profit/ loss	16,388	15,517	5,725	37,630
RAB value	236,969	241,387	55,676	534,032

** 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 2019 disclosure year compared to our PSE3 Year 2 forecast.
Discussion in respect to revenue from priced services is included in Section 8 of the Executive Summary accompanying these schedules.

Component	Value	Terminal	Airfield	Aircraft and Freight
Lease, Rental and Concession Income	PSE3 Year 2 Forecast	$ 4,916	$ 303	$ 7,092
	Actuals	$ 5,016	$ 351	$ 8,619
	Variance	$ 99	$ 49	$ 1,527
Explanation of variance: Revenue from non-priced services exceeded the PSE3 pricing forecast by just under $2m. This reflects higher than forecast rental income from the freight distribution centre. Refer to Section 8 of the Executive Summary for further commentary.				
Operational Expenditure - Asset Maintenance	PSE3 Year 2 Forecast	-$ 1,430	-$ 350	-$ 83
	Actuals	-$ 1,611	-$ 479	-$ 222
	Variance	$ 182	$ 129	$ 139
Explanation of variance: CIAL has outsourced its maintenance services to City Care Limited (see 2018 disclosure statement). From an allocation perspective this results in an increase in external maintenance costs offset by a reduction in CIAL payroll costs. Embedding this outsource model has resulted in greater overall costs.				
Operational Expenditure - Asset Management and Airport Operations	PSE3 Year 2 Forecast	-$ 16,991	-$ 10,868	-$ 1,030
	Actuals	-$ 17,167	-$ 12,466	-$ 1,308
	Variance	$ 176	$ 1,598	$ 278
Explanation of variance: Overall, CIAL has incurred higher operating costs than forecast with the increases either being beyond our control or strategic in nature. CIAL incurred higher rates and aviation security charges than captured in our PSE3 pricing forecast. Maintenance exceeded the PSE3 pricing forecast. Actual incentives incurred for the 2019 disclosure year were above that forecast and further discussion around incentives is outlined in Section 8 of the Executive Summary accompanying these schedules.				
Operational Expenditure - Corporate Overheads	PSE3 Year 2 Forecast	-$ 3,815	-$ 3,255	-$ 99
	Actuals	-$ 4,424	-$ 3,260	-$ 302
	Variance	$ 608	$ 5	$ 202
Explanation of variance: Overall, CIAL has incurred higher operating costs than forecast with the increases either being beyond our control or strategic in nature. CIAL incurred higher insurance costs than captured in our PSE3 pricing forecast. Sponsorship costs exceeded the PSE3 pricing forecast.				
Depreciation	PSE3 Year 2 Forecast	$ 12,964	$ 5,983	$ 627
	Actuals	$ 12,172	$ 5,588	$ 264
	Variance	-$ 792	-$ 395	-$ 363
Explanation of variance: Over year 1 and 2 of PSE3 CIAL's incurred capital expenditure of $34.1m against a forecast of $32.3m. Total assets commissioned over year 1 and 2 were $30.8M against a forecast of $32.3m. Key variances of note are outline 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 2019**

SCHEDULE 8: CONSOLIDATION STATEMENT

ref *Version 5.0*

8a: CONSOLIDATION STATEMENT

($000)

	Airport Businesses	Regulatory/ GAAP Adjustments	Airport Business– GAAP	Unregulated Activities– GAAP	Airport Company– GAAP
Net income	98,468	(4,865)	93,603	93,770	187,373
Total operational expenditure	41,238	(4,865)	36,373	25,595	61,968
Operating surplus / (deficit) before interest, depreciation, revaluations and tax	57,230	–	57,230	68,175	125,405
Depreciation	18,024	10,076	28,100	7,420	35,520
Revaluations	8,893	(6,600)	2,293	10,840	13,133
Tax expense	10,469	(1,790)	8,679	13,850	22,529
Net operating surplus / (deficit) before interest	37,630	(14,886)	22,744	57,745	80,489
Property plant and equipment	534,032	97,146	631,178	581,436	1,212,614

8b: NOTES TO CONSOLIDATION STATEMENT

8b(i): REGULATORY / GAAP ADJUSTMENTS

Description of Regulatory / GAAP Adjustment	Affected Line Item	Regulatory / GAAP Adjustments *
Netting Pricing Incentive costs against Net Income	Net Income	(4,865)
Restoring Pricing Incentive costs within Total Operational Expenditure	Total Operational Expenditure	(4,865)
Depreciation methodology - on additions and disposals under GAAP	Depreciation	10,076
Revaluation methodology	Revaluations	(6,600)
Tax expense adjustment due to different calculation methodology	Tax Expense	(1,790)
Land held for development and Work in Progress - excluded from RAB	Property Plant and Equipment	32,209
Revaluation variance due to different methods for years 2009-2019	Property Plant and Equipment	109,041

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

Commentary on the Consolidation Statement

Regulatory/GAAP Adjustments

Net Income/Total Operational Expenditure $+0.000m
- Reporting of airline incentives and total operational expenditure is to follow the IM and align with our approach for PSE3 however NZ IFRS 15 required the netting of pricing incentive costs within Net Income

Depreciation $+10.076m
- 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 after they are commissioned.

Revaluations $-6.600m
- 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 $-1.790m
- 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 $+97.146m
- 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 2019.

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 2019**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS

ref *Version 5.0*

9a: Asset Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Land						
Directly attributable assets	–	95,244	14,339	109,583		109,583
Assets not directly attributable	997	624	–	1,621	999	2,620
Total value land				111,204		
Sealed Surfaces						
Directly attributable assets	–	127,112	210	127,322		127,322
Assets not directly attributable	–	2	–	2	2	4
Total value sealed surfaces				127,324		
Infrastructure and Buildings						
Directly attributable assets	42,460	5,527	38,843	86,830		86,830
Assets not directly attributable	190,627	5,739	1,767	198,133	53,597	251,730
Total value infrastructure and buildings				284,963		
Vehicles, Plant and Equipment						
Directly attributable assets	1,049	5,853	29	6,931		6,931
Assets not directly attributable	1,836	1,286	488	3,610	3,231	6,841
Total value vehicles, plant and equipment				10,541		
Total directly attributable assets	43,509	233,736	53,421	330,666		330,666
Total assets not directly attributable	193,460	7,651	2,255	203,366	57,829	261,195
Total assets	236,969	241,387	55,676	534,032	57,829	591,861

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 2019**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 5.0*

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

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**

SCHEDULE 9: REPORT ON ASSET ALLOCATIONS (cont)

ref *Version 5.0*

9b: Notes to the Report

9b(i): Changes in Asset Allocators

			Effect of Change CY-1 30 Jun 18	Current Year (CY) 30 Jun 19	CY+1 30 Jun 20
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Asset category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Asset Allocations

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 2019 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 2019**

SCHEDULE 10: REPORT ON COST ALLOCATIONS

ref *Version 5.0*

10a: Cost Allocations

($000)

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Airport Business	Unregulated Component	Total
Corporate Overheads						
Directly attributable operating costs	2,435	2,237	220	4,892		4,892
Costs not directly attributable	1,989	1,024	82	3,095	3,876	6,971
Asset Management and Airport Operations						
Directly attributable operating costs	11,815	11,461	1,170	24,446		24,446
Costs not directly attributable	5,352	1,005	137	6,494	17,260	23,754
Asset Maintenance						
Directly attributable operating costs	18	233	160	411		411
Costs not directly attributable	1,594	246	61	1,901	2,731	4,632
Total directly attributable costs	14,268	13,931	1,550	29,749		29,749
Total costs not directly attributable	8,935	2,275	280	11,490	23,867	35,357
Total operating costs	23,203	16,206	1,830	41,239	23,867	65,106

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 2019**

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 5.0*

40 **Cost Allocators (cont)**

ref	Operating Cost Category	Allocator*	Allocator Type	Rationale	Operating Cost Line Items
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 2019

SCHEDULE 10: REPORT ON COST ALLOCATIONS (cont)

ref *Version 5.0*

10b: Notes to the Report

10b(i): Changes in Cost Allocators

			Effect of Change CY-1 30 Jun 18	Current Year (CY) 30 Jun 19	CY+1 30 Jun 20
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–
Operating cost category					
Original allocator or components		Original			
New allocator or components		New			
Rationale		Difference	–	–	–

Commentary on Cost Allocations

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.

2019 Terminal Cost Allocations

The terminal floor space for the 2019 cost allocation process is based on the relevant terminal spatial maps produced by CIAL based on the relevant terminal configuration as at 30 June 2019. There have been some changes in 2019 to the configuration of the terminal floor space when compared to that used to calculate CIAL's new pricing that came into effect from 1 July 2017. This predominantly relates to the Gate 15 reconfiguration project on the first floor of the terminal building which was commissioned in June 2018. Refer to Schedule 4 for details of the asset values involved.

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 2019 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 2019 and their rationale for application are also detailed above.

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES

Version 5.0

ref		Number	Total Duration Hours	Total Duration Minutes
6	**Runway**			
7	The number and duration of interruptions to runway(s) during disclosure year by party primarily responsible			
8	Airports	–	–	–
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	1	–	27
22	Undetermined reasons	–	–	–
23	Total	1	–	27
24	**Contact stands and airbridges**			
25	The number and duration of interruptions to contact stands during disclosure year by party primarily responsible			
26	Airports	6	2	53
27	Airlines/Other	2	1	15
28	Undetermined reasons	1	–	15
29	Total	9	4	23
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	–	–	–
33	Airlines/Other	–	–	–
34	Undetermined reasons	–	–	–
35	Total	–	–	–
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	25
45	Airlines/Other	59	28	42
46	Undetermined reasons	14	4	53
47	Total	121	55	–
48				

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**

SCHEDULE 11: REPORT ON RELIABILITY MEASURES (cont)

ref *Version 5.0*

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

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

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

58 **Commentary concerning reliability measures**

59 *Determining Responsibility and Validity of Interruptions*

60 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.

61

62 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.

63

64 *Operational Improvements*

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

66

67 *Fixed Electricity Ground Power*

68 Fixed electrical ground power became available at stands 18, 19, 20, 30 and 31 in disclosure year 2017. 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 in CIAL's PSE3 price setting period.

69 *On-Time Departure Delay*

70 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.

71

72

73

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

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

75

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

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

Version 5.0

Runway

		Runway #1	Runway #2	Runway #3
Description of runway(s)	Designations	02-20	11-29	N/A
	Length of pavement (m)	3288	1741	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)	2996	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	5	0	0
	Domestic turboprop	0	12	0
Total parking stands		14	14	3

Busy periods for runway movements

	Date
Runway busy day	6 December 2018
Runway busy hour start time (day/month/year hour)	26 Mar 2019 2 PM

Aircraft movements

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

		Contact stand–airbridge	Contact stand–walking	Remote stand—bus	Total
Air passenger services	International	43	–	–	43
	Domestic jet	62	–	–	62
	Domestic turboprop	–	134	–	134
	Total	105	134	–	239
Other (including General Aviation)					131
Total aircraft movements during the runway busy day					370

Number of aircraft runway movements during the runway busy hour: 38

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 the 2018 disclosure period to further enhance our ability to service multiple aircraft across the Integrated Terminal; with this gate commissioned in June 2018.

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. There have been no changes to the runways in the 2019 disclosure period.

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**	
For Year Ended	**30 June 2019**	

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

Version 5.0

ref	Outbound (Departing) Passengers	International terminal	Domestic terminal	Common area †
7	**Landside circulation (outbound)**			
8	Passenger busy hour for landside circulation (outbound)—start time			
9	(day/month/year hour)	16 Aug 2018 6 AM	5 Oct 2018 2 PM	5 Mar 2019 6 AM
10	Floor space (m^2)	262	607	2,345
11	Passenger throughput during the passenger busy hour (passengers/hour)	809	944	1,354
12	Utilisation (busy hour passengers per $100m^2$)	309	156	58
13	**Check-in**			
14	Passenger busy hour for check-in—start time (day/month/year hour)	N/A	N/A	5 Mar 2019 6 AM
15	Floor space (m^2)	N/A	N/A	2,527
16	Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,354
17	Utilisation (busy hour passengers per $100m^2$)	Not defined	Not defined	54
18	**Baggage (outbound)**			
19	Passenger busy hour for baggage (outbound)—start time (day/month/year hour)	N/A	N/A	5 Mar 2019 6 AM
20	Make-up area floor space (m^2)	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	999
23	Passenger throughput during the passenger busy hour (passengers/hour)	N/A	N/A	1,354
24	Utilisation (% of processing capacity)	Not defined	Not defined	42%
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)	16 Aug 2018 6 AM		
29	Floor space (m^2)	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)	809		
33	Utilisation (busy hour passengers per $100m^2$)	162		
34	Utilisation (% of processing capacity)	98%		
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)	16 Aug 2018 6 AM	5 Oct 2018 2 PM	
38	Facilities for passengers excluding international transit & transfer			
39	Floor space (m^2)	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)	809	944	
43	Utilisation (busy hour passengers per $100m^2$)	161	516	
44	Utilisation (% of processing capacity)	100%	117%	
45	Facilities for international transit & transfer passengers			
46	Floor space (m^2)	49		
47	Number of screening points	–		
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 $100m^2$)	–		
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**
For Year Ended	**30 June 2019**

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

Version 5.0

ref		International terminal	Domestic terminal	Common area †
61				
62	**Airside circulation (outbound)**			
63	Passenger busy hour for airside circulation (outbound)—start time			
64	(day/month/year hour)	16 Aug 2018 6 AM	5 Oct 2018 2 PM	
65	Floor space (m²)	1,252	1,775	
66	Passenger throughput during the passenger busy hour (passengers/hour)	809	944	
67	Utilisation (busy hour passengers per 100m²)	65	53	
68	**Departure lounges**			
69	Passenger busy hour for departure lounges—start time (day/month/year hour)	16 Aug 2018 6 AM	5 Oct 2018 2 PM	
70	Floor space (m²)	4,766	2,498	
71	Number of seats	1,065	1,121	
72	Passenger throughput during the passenger busy hour (passengers/hour)	809	944	
73	Utilisation (busy hour passengers per 100m²)	17	38	
74	Utilisation (passengers per seat)	0.8	0.8	
75	**Inbound (Arriving) Passengers**			
76	**Airside circulation (inbound)**			
77	Passenger busy hour for airside circulation (inbound)—start time			
78	(day/month/year hour)	18 Mar 2019 2 PM	20 Oct 2018 9 AM	N/A
79	Floor space (m²)	3,702	1,758	N/A
80	Passenger throughput during the passenger busy hour (passengers/hour)	934	996	N/A
81	Utilisation (busy hour passengers per 100m²)	25	57	Not defined
82	**Passport control (inbound)**			
83	Passenger busy hour for passport control (inbound)—start time			
84	(day/month/year hour)	18 Mar 2019 2 PM		
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)	934		
89	Utilisation (busy hour passengers per 100m²)	77		
90	Utilisation (% of processing capacity)	110%		
91	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
92	**Landside circulation (inbound)**			
93	Passenger busy hour for landside circulation (inbound)—start time			
94	(day/month/year hour)	18 Mar 2019 2 PM	20 Oct 2018 9 AM	13 Dec 2018 1 PM
95	Floor space (m²)	133	607	2,113
96	Passenger throughput during the passenger busy hour (passengers/hour)	934	996	1,448
97	Utilisation (busy hour passengers per 100m²)	702	164	69
98	**Baggage reclaim**			
99	Passenger busy hour for baggage reclaim—start time (day/month/year hour)	18 Mar 2019 2 PM	20 Oct 2018 9 AM	
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)*	968	684	
104	Passenger throughput during the passenger busy hour (passengers/hour)	934	996	
105	Utilisation (% of processing capacity)	18%	13%	
106	Utilisation (busy hour passengers per 100m²)	23	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)	18 Mar 2019 2 PM		
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)	934		
115	Utilisation (% of processing capacity)	104%		
116	Utilisation (busy hour passengers per 100m²)	96		
117	** Please describe in the capacity utilisation indicators commentary box how the notional capacity has been assessed.*			
118				

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**

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

Version 5.0

ref		International terminal	Domestic terminal	Common area †
125				
126	**Arrivals concourse**			
127	Passenger busy hour for arrivals concourse—start time (day/month/year hour)	18 Mar 2019 2 PM	20 Oct 2018 9 AM	N/A
128	Floor space (m^2)	1,602	159	N/A
129	Passenger throughput during the passenger busy hour (passengers/hour)	934	996	N/A
130	Utilisation (busy hour passengers per $100m^2$)	58	626	Not defined
131	**Total terminal functional areas providing facilities and service directly for passengers**			
132	Floor space (m^2)	19,104	10,739	6,984
133	Number of working baggage trolleys available for passenger use			
134	at end of disclosure year	504	504	251

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

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

137 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.
138 These data sources are cross checked where possible and are considered to be materially accurate.

139 *Source of Data for Capacity Calculations:*

140 *Security Screening*
141 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.

142 *Bio-Security*
143 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
144 Commission and Airlines.

145 *Baggage Handling*
146 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.

147 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
148 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
149 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.

150 *Baggage Reclaim*
151 Baggage system notional capacity numbers have been calculated from figures supplied by the system supplier, Glidepath. Notional capacity is however reduced by the
152 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
153 processed have been estimated based on approximate bags per passenger figures.

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

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

159 *Floor Space*
160 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 2019.

161 *Notional Capacity Review*
162 Notional capacity indices have remain constant. CIAL is conducting a review of these estimates with the review currently incomplete.

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

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

170

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 14: REPORT ON PASSENGER SATISFACTION INDICATORS

ref *Version 5.0*

Survey organisation

Survey organisation used	ACI
If "Other", please specify	

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

Domestic terminal	*Quarter*	1	2	3	4	Annual
	for year ended	**30 Sep 18**	**31 Dec 18**	**31 Mar 19**	**30 Jun 19**	**average**
Ease of finding your way through an airport		4.44	4.39	4.46	4.36	4.41
Ease of making connections with other flights		4.50	4.44	4.56	4.33	4.46
Flight information display screens		4.41	4.41	4.45	4.43	4.42
Walking distance within and/or between terminals		4.35	4.46	4.44	4.40	4.41
Availability of baggage carts/trolleys		4.37	4.24	4.33	4.26	4.30
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.39	4.56	4.46	4.49	4.48
Availability of washrooms/toilets		4.32	4.36	4.39	4.35	4.36
Cleanliness of washrooms/toilets		4.21	4.22	4.18	4.07	4.17
Comfort of waiting/gate areas		4.19	4.17	4.20	4.12	4.17
Cleanliness of airport terminal		4.47	4.47	4.49	4.38	4.45
Ambience of the airport		4.32	4.26	4.34	4.21	4.28
Security inspection waiting time		4.24	4.32	4.34	4.36	4.31
Check-in waiting time		4.53	4.50	4.54	4.47	4.51
Feeling of being safe and secure		4.55	4.55	4.60	4.57	4.57
Average survey score		4.38	4.38	4.41	4.34	4.38

International terminal	*Quarter*	1	2	3	4	Annual
	for year ended	**30 Sep 18**	**31 Dec 18**	**31 Mar 19**	**30 Jun 19**	**average**
Ease of finding your way through an airport		4.42	4.31	4.26	4.32	4.33
Ease of making connections with other flights		4.40	4.50	5.00	–	3.48
Flight information display screens		4.26	4.31	4.30	4.40	4.32
Walking distance within and/or between terminals		4.45	4.44	4.43	4.44	4.44
Availability of baggage carts/trolleys		4.43	4.46	4.24	4.53	4.41
Courtesy, helpfulness of airport staff (excluding check-in and security)		4.47	4.45	4.50	4.55	4.49
Availability of washrooms/toilets		4.19	4.15	4.39	4.27	4.25
Cleanliness of washrooms/toilets		4.08	4.13	4.24	4.28	4.18
Comfort of waiting/gate areas		4.14	4.22	4.19	4.07	4.16
Cleanliness of airport terminal		4.37	4.42	4.48	4.44	4.43
Ambience of the airport		4.06	4.17	4.29	4.18	4.17
Passport and visa inspection waiting time		4.47	4.63	4.58	4.49	4.54
Security inspection waiting time		4.45	4.46	4.32	4.36	4.40
Check-in waiting time		4.42	4.32	4.31	4.47	4.38
Feeling of being safe and secure		4.64	4.63	4.56	4.59	4.60
Average survey score		4.35	4.37	4.41	4.09	4.31

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 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 4.63 providing for an average survey score for the International terminal of 4.38.

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 .

Regulated Airport	Christchurch International Airport Ltd
For Year Ended	30 June 2019

SCHEDULE 15: REPORT ON OPERATIONAL IMPROVEMENT PROCESSES

ref *Version 5.0*

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:

Christchurch Airport Emergency Committee
The committee meets quarterly and manages/discusses matters including significant incidents, emergency manuals and plans, emergency preparedness, training and response exercises, aviation security, and global and topical aviation risks. Attendees include key emergency responders, border agencies, airlines, Airways NZ, welfare organisations, CDHB and CIAL.

Airside Safety Group
This group meets bi-monthly to discuss any safety issues relating to airport operations, to communicate rule changes, improve driving and parking standards, to 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 quarterly to discuss safety and operational specific concerns for the freight apron. Stakeholders include freight companies, fuel organisations, airlines, and ground handlers.

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.

Airfield Projects Meetings
Monthly process between CIAL Airfield Operations Management and Airways NZ. Discussion focuses on upcoming or ongoing projects airside, APMW schedules, AIP procedures, and incidents/accidents.

Wildlife Management Committee
This committee meets quarterly to analyse, discuss and share information on the management and mitigation of risk relating to bird strikes and other wildlife hazards both on and off Airport. Stakeholders include airlines, Airways NZ, CAA, GA Operators, and a mix of specialists including ECan, Federated Farmers, ecologists, ornithologists, CDHB and Canterbury University.

Below are a number of initiatives, improvements or events that have been recognised during the disclosure period. This should be read in conjunction with Sections 8, 10, 11 and 12 of the accompanying Executive Summary.

Safety Leadership
- Safety-II principles were introduced as well as the new protection to performance strategy involving all CIAL leaders and board of directors
- An Aviation System Management System audit was completed by CAA as well as an independent review of our System Management System

Sustainability and Environment
- In line with CIAL's commitment to transition its light vehicle fleet to electric vehicles by 2025, we have converted 11 of our 21 vehicles to electric vehicles
- Commenced works on the Acoustic Treatment Program with 7 properties in process to receive acoustic treatment
- Work began in March 2019 to install the infrastructure to replace the Terminal Energy Centre boiler with a ground-source heat pump system
- CIAL is continuing to develop ground based power at specific gates to reduce climate change emissions, aircraft fuel usage and lower airlines' operating costs at the Airport. This service will come online at additional gates in FY20.

Customer Experience
- A Digital Lounge has been introduced with the Integrated Terminal which is available to all airport visitors
- To make a hundred years since the birth of Sir Edmund Hillary, The Hillary Step, a commemorative space was introduced within the Integrated Terminal for airport visitors to enjoy
- CIAL and NASA hosted an Open Day of the SOFIA (Stratospheric Observatory for Infrared Astronomy) airplane

Operational/Process Efficiency/Innovation
- CIAL developed and delivered virtual reality firefighting software
- With the events of 15 Mar 2019 in Christchurch City, that created significant disruption to normal operations, with just over 7 hours notice CIAL transformed various spaces within the terminal to ensure screening/increased security measures were in place to allow Regional operations to recommence the following day. This remained in place for the following two weeks while screening was required. CIAL worked closely with airlines, ground handlers and terminal tenants to continuously improve the way the terminal and apron areas functioned during this period

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

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS

ref *Version 5.0*

16a: Aircraft statistics

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

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Airbus A320	2,087	160,699
Airbus A320NEO	275	21,725
Airbus A321NEO	10	970
Airbus A330-200	2	476
Airbus A350-900 XWB	213	59,445
Airbus A380-800	365	209,875
Boeing 737 Max 8	12	986
Boeing 737-700	11	771
Boeing 737-800	1,943	153,526
Boeing 757-200	1	116
Boeing 767-300	2	374
Boeing 777-200	243	71,705
Boeing 787-800	51	11,628
Boeing 787-900	193	48,990
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
Total	5,408	741,286

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont)

ref | *Version 5.0*

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

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

Aircraft type	Total number of landings	Total MCTOW (tonnes)
Airbus A320	10,047	736,857
Airbus A320NEO	18	1,422
Airbus A321NEO	42	4,074
Boeing 777-200	24	7,141
Boeing 777-300ER	3	1,055
Boeing 787-900	7	1,756
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
Total	10,141	752,305

(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	3,219	72,428
ATR-72-600	12,864	289,440
Convair 580	53	1,298
DHC-8-300 Dash 8	4,009	78,196
Pilatus PC-12	870	3,915
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
	–	–
Total	21,015	445,277

Regulated Airport	**Christchurch International Airport Ltd**
For Year Ended	**30 June 2019**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 2)

Version 5.0

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

	Total number of landings	Total MCTOW (tonnes)
Air passenger service aircraft less than 3 tonnes MCTOW	–	–
Freight aircraft	1,592	128,901
Military and diplomatic aircraft	395	37,111
Other aircraft (including General Aviation)	12,860	44,250

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

	Total number of landings	Total MCTOW (tonnes)
Total	51,411	2,149,130

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	10,808	–	–	10,808
Domestic jet air passenger service movements	20,288	–	–	20,288

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

16c: Passenger statistics

The total number of passengers during disclosure year	Domestic	International	Total
Inbound passengers†	2,576,561	876,453	3,453,014
Outbound passengers†	2,587,944	890,483	3,478,427
Total (gross figure)	5,164,505	1,766,936	6,931,441
less estimated number of transfer and transit passengers		–	–
Total (net figure)			6,931,441

† 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 Southern Airlines
Air New Zealand	Emirates
Jetstar	Jetstar
Air Chathams	Qantas
Sounds Air	Singapore
	Virgin Australia
	Fiji Airways
	Cathay Pacific

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 16: REPORT ON ASSOCIATED STATISTICS (cont 3)

ref *Version 5.0*

16e: Human Resource Statistics

	Specified Terminal Activities	Airfield Activities	Aircraft and Freight Activities	Total
Number of full-time equivalent employees	59.0	76.0	2.0	137.0
Human resource costs ($000)				14,222

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 2019.

Human Resource Movements

CIAL continues to look for efficiency and productivity gains acroiss the business. Between the 2018 and 2019 disclosure years the number of full-time equivalent regulated business employees has changed by +1 (Airfield Activities).

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 year 1 and 2 of the current PSE3 pricing period. This comparison includes passenger movements, landings, and MCTOW.

	PSE3-2019	ID-2019	PSE3 Year 2	PSE3-Period To Date	ID-Period To Date	Period To Date
Passengers Movements	**Pricing Forecast**	**Actual**	**Variance**	**Pricing Forecast**	**Actual**	**Variance**
International Arrivals	851,053	876,453	3.0%	1,681,529	1,749,161	4.0%
International Departures	851,053	890,483	4.6%	1,681,528	1,772,284	5.4%
Total International	**1,702,106**	**1,766,936**	**3.8%**	**3,363,057**	**3,521,445**	**4.7%**
Domestic Arrivals	2,590,053	2,576,561	-0.5%	5,106,867	5,121,540	0.3%
Domestic Departures	2,590,053	2,587,944	-0.1%	5,106,866	5,154,419	0.9%
Total Domestic	**5,180,106**	**5,164,505**	-0.3%	**10,213,733**	**10,275,959**	**0.6%**
Total Passenger Movements	**6,882,212**	**6,931,441**	**0.7%**	**13,576,790**	**13,797,404**	**1.6%**

Landings	**Pricing Forecast**	**Actual**	**Variance**	**Pricing Forecast**	**Actual**	**Variance**
Domestic Flight (3 tonnes or more but <30 tonnes)	15,553	21,015	35.1%	30,800	40,664	32.0%
Domestic Flights (30 tonnes MCTOW or more)	17,042	10,141	-40.5%	33,609	20,959	-37.6%
Total Domestic	**32,595**	**31,156**	**-4.4%**	**64,409**	**61,623**	**-4.3%**
International Flights	5,477	5,408	-1.3%	10,954	10,806	-1.4%
Total Landings	**38,072**	**36,564**	**-4.0%**	**75,363**	**72,429**	**-3.9%**

MCTOW	**Pricing Forecast**	**Actual**	**Variance**	**Pricing Forecast**	**Actual**	**Variance**
Domestic Flight (3 tonnes or more but <30 tonnes)	326,601	445,277	36.3%	643,557	860,216	33.7%
Domestic Flights (30 tonnes MCTOW or more)	920,279	752,305	-18.3%	1,808,656	1,561,314	-13.7%
Total Domestic	**1,246,880**	**1,197,582**	**-4.0%**	**2,452,213**	**2,421,530**	**-1.3%**
International Flights	747,554	741,286	-0.8%	1,498,297	1,485,746	-0.8%
Total MCTOW	**1,994,434**	**1,938,868**	**-2.8%**	**3,950,510**	**3,907,276**	**-1.1%**

Continuing in line with our 2018 disclosure starement, the 2019 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 continued to be 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 2019 disclosure year has been that total passenger numbers exceeded those forecast by +0.7% overall (+2.6% for 2018). Domestic passenger movements were within +0.3% of those forecast and total International passenger movements exceeded those forecast by +3.8% (+1.5% and +5.6% respectively for 2018 disclosure year).

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

Regulated Airport: **Christchurch International Airport Ltd**
For Year Ended: **30 June 2019**

SCHEDULE 17: REPORT ON PRICING STATISTICS

ref | *Version 5.0*

17a: Components of Pricing Statistics

	($000)
Net operating charges from airfield activities relating to domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	10,527
Net operating charges from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	15,953
Net operating charges from airfield activities relating to international flights	8,473
Net operating charges from specified passenger terminal activities relating to domestic passengers	30,132
Net operating charges from specified passenger terminal activities relating to international passengers	14,205

	Number of passengers
Number of domestic passengers on flights of 3 tonnes or more but less than 30 tonnes MCTOW	2,133,329
Number of domestic passengers on flights of 30 tonnes MCTOW or more	3,031,571
Number of international passengers	**1,766,936**

	Total MCTOW (tonnes)
Total MCTOW of domestic flights of 3 tonnes or more but less than 30 tonnes MCTOW	922,134
Total MCTOW of domestic flights of 30 tonnes MCTOW or more	1,762,275
Total MCTOW of international flights	1,591,112

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	4.93	11.42
Average charge from airfield activities relating to domestic flights of 30 tonnes MCTOW or more	5.26	9.05
Average charge from airfield activities relating to international flights	4.80	5.33

	Average charge ($ per domestic	Average charge ($ per international
Average charge from specified passenger terminal activities	5.83	8.04

	Average charge ($ per domestic	Average charge ($ per international
Average charge from airfield activities and specified passenger terminal activities	10.96	12.83

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.

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**
For Year Ended: **30 June 2019**

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

ref *Version 5.0*

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.

Specified Airport Services Information Disclosure Requirements
Information Templates
for
Schedules 18

Company Name	Christchurch International Airport Ltd
Disclosure Date	30 November 2019
Pricing Period Starting Year (year ended)	30 June 2018
Disclosure year of most recent annual disclosure (year ended) [1]	30 June 2016

Templates for Schedules 18–20 (Disclosure Following a Price Setting Event)
Version 4.0. Prepared 13 June 2019

Christchurch International Airport Ltd
30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS

ref *Version 4.0*

18(i): Forecast Internal Rate of Return

			First Day of Pricing Period	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		Last Day of Pricing Period
	($000)	*Cash flow date*	1 Jul 17	30 Dec 17	2 Feb 18	30 Dec 18	2 Feb 19	31 Dec 19	3 Feb 20	30 Dec 20	2 Feb 21	30 Dec 21	2 Feb 22	30 Jun 22
	Opening RAB		524,373											
	Forecast opening carry forward adjustment		(7,806)											
	Opening investment value		532,179											
plus	Forecast total revenue requirement				91,157		94,862		99,044		103,303		108,500	
less	Forecast assets commissioned			19,692		12,623		21,141		11,503		17,158		
plus	Forecast cash flow from asset disposals			–		–		–		–		–		
less	Forecast 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		
	Forecast closing asset base													545,298
	Forecast closing carry forward adjustment													(7,823)
	Forecast closing investment value													553,121
	Forecast net cash flows		(532,179)	(69,146)	91,157	(60,902)	94,862	(71,803)	99,044	(63,955)	103,303	(72,194)	108,500	553,121
	Forecast post-tax IRR - Pricing period		6.65%											
	NPV check		0	OK										

18(ii): Forecast Internal Rate of Return - Annual and Period to Date

		Pricing Period Starting Year	Pricing Period Starting Year + 1	Pricing Period Starting Year + 2	Pricing Period Starting Year + 3	Pricing Period Starting Year + 4
($000)	*Year ended*	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Forecast closing asset base		530,385	534,128	543,648	541,528	545,298
Forecast closing carry forward adjustment		(7,806)	(7,806)	(7,806)	(7,806)	(7,823)
Forecast closing investment value		538,191	541,934	551,454	549,334	553,121
Forecast post-tax IRR - annual		5.30%	7.12%	6.82%	6.89%	7.41%
Forecast post-tax IRR - period to date		5.30%	6.17%	6.37%	6.49%	6.65%

18(iii): Forecast opening carry forward adjustment

($000)	Forecast closing carry forward adjustment from previous pricing period	Opening carry forward adjustments from current price setting event	Forecast opening carry forward adjustment
Default revaluation gain/loss adjustment			–
Risk allocation adjustment			–
Other carry forward adjustments	(7,806)		(7,806)
Forecast opening carry forward adjustment	(7,806)	–	(7,806)

Please explain each adjustment and how this has been calculated

Other 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 these disclosures. A detailed explanation of the anomaly and how the opening RAB adjustment has been calculated is included in Section G1 (paragraphs 76-83) of the accompanying disclosure document.

Provide a summary of any views expressed by substantial customers about the pricing approaches reflected in the opening carry forward adjustment

The anomaly caused by allocating "implied depreciation" to individual assets, and the proposed solution, was explained carefully to substantial customers during price consultation. Some customers noted there was an element of complexity to the calculation of the required adjustment, and asked CIAL to obtain an independent review of the calculations supporting this adjustment. CIAL engaged Deloitte to review its calculations and proposed adjustment. Refer further to Section G1 (paragraphs 84-85) of the accompanying disclosure document.

18(iv): Forecast closing carry forward adjustment

	($000)	Please explain each adjustment and how this has been calculated
Correction of PSE2 implied depreciation allocation	(7,823)	Opening carry-forward adjustment is depreciated using tilted annuity (with annual CPI indexation) over the average life for each sub-set of assets
Total forecast closing carry forward adjustment	(7,823)	

Explain how the closing investment value provides a good indication of the remaining capital expected to be recovered by the airport in future pricing periods and provide a summary of substantial customer views on any closing carry forward adjustments

The carry-forward adjustment from PSE2 is treated like a physical asset, and depreciated (using the same tilted annuity method as applied to physical assets) over a life that is indicative of the underlying physical assets of the relevant cost centre. The closing carry-forward adjustment is the forecast closing RAB value for 2022 for the carry-forward adjustment assets (the actual closing value for FY22 is linked to actual inflation over the intervening period). No substantial customers expressed any comments with the closing carry forward adjustment.

Regulated Airport: **Christchurch International Airport Ltd**
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SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont)

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18(v): Cash flow timing assumptions

	Airport assumption	Default assumption
Year of most recent annual disclosure (year ended)	30 June 2016	
First day of pricing period	1 July 2017	
Cash flow timing - revenues - days from year end	148	148
Cash flow timing - expenditure - days from year end	182	182

Explanation and evidence if airport assumption is different from default

CIAL has applied the same cash flow timing as the Commission's default assumptions for forecast revenue and expenditure.

18(vi): Total Revenue Requirement

Overview of the methodology used to determine the revenue requirement

For the services that were the subject of the pricing decision, the "building block approach" was used to derive a revenue requirement, and prices were determined such that those prices would deliver the revenue requirement (on the assumption that all sales were at the published prices). Different cost centres were established (with allocations of costs between centres where required) to facilitate the setting of charges. The cost base used to determine the revenue requirement was aligned with the values and methods applied for disclosure, with the exception that costs associated with pricing incentives were excluded from the cost base (as a commercial concession to airlines). CIAL will also bear any shortfall where contracts continue and the price is below the new rate. The prices for the remaining services (such as leases for aircraft and freight activities) are negotiated bilaterally. Many of these contracts are long term in nature, with the prices of such reflecting the interest rate environment at the time of entry into the contract. Further information on the revenue requirement components is included in Section G of the accompanying disclosure document and an overview of the pricing approach used to set Standard Charges in Section F.

	($000)	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
	Forecast revenue for services applicable to the price setting event (excluding forecast assets held for future use revenue)	79,036	82,552	86,515	90,559	95,531
plus	Forecast lease, rental and concession income (not applicable to the price setting event)	12,121	12,311	12,529	12,744	12,969
plus	Forecast other operating revenue (not applicable to the price setting event)					
	Forecast total revenue requirement (excluding assets held for future use revenue)	91,157	94,862	99,044	103,303	108,500
less	Forecast operational expenditure	40,765	37,921	38,630	39,385	40,157
less	Forecast depreciation	20,968	19,574	21,910	24,496	24,219
less	Forecast unlevered tax	8,689	10,359	12,032	13,066	14,879
plus	Forecast revaluations	7,289	10,693	10,289	10,873	10,831
	Forecast regulatory profit / (loss)	28,023	37,702	36,761	37,229	40,076

Forecast cost of capital	6.82%
Post-tax WACC at price setting event	6.41%
WACC percentile equivalent for forecast cost of capital (optional)	60.88%
WACC percentile equivalent for the post-tax IRR (optional)	56.56%

Explain the differences between the post-tax IRR and the forecast cost of capital, and the post-tax WACC at price setting event and the forecast cost of capital (including reasons)

Detail around CIAL's approach to its forecast cost of capital is included in Section G4 (paragraphs 110-116) of the accompanying disclosure document. CIAL's estimate of its post tax WACC reflects its view that (i) its relative risk is greater than that of the other major NZ airports and the average airport in the Commission's sample for asset beta (an asset beta of 0.65 used rather than 0.60) and (ii) CIAL's characteristics imply that it will have a lower credit rating (all else constant) than its peers (a credit rating assumption of BBB+ has been applied rather than A-). CIAL has used the midpoint of its WACC estimate. CIAL has used its estimate of the post tax WACC in the building block calculation referred to above. This explains the difference between the post-tax WACC at price setting event (6.41%) and CIAL's estimate of cost of capital of 6.82%. The post tax IRR for CIAL's disclosure activities (6.65%) is different to CIAL's post tax WACC estimate because: (i) CIAL has used a simplified version of the building block calculation in relation to the timing of intra-year cash flows; (ii) CIAL has excluded pricing incentives from the cost base when deriving prices, (iii) existing contracts mean that CIAL's revenue from check-in activities will be lower than the revenue requirement, and (iv) the disclosure IRR includes activities whose revenues are determined based on negotiated leases that are subject to standard commercial processes and whose revenues will reflect the interest rate environment prevailing at the time those leases were agreed (the IRR for these activities is 7.87%).

Forecast total revenue requirement from airport charges (including assets held for future use revenue)

	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
Forecast total revenue requirement (excluding assets held for future use revenue)	91,157	94,862	99,044	103,303	108,500
Forecast assets held for future use revenue					
Forecast total revenue requirement (including forecast assets held for future use revenue)	91,157	94,862	99,044	103,303	108,500

Description of any other factors that are considered in determining the forecast total revenue requirement

Other than the carry forward adjustments, no "other factors" (as defined in the ID Determination) have been considered in determining the forecast total revenue requirement.

Regulated Airport: **Christchurch International Airport Ltd**
Pricing Period Starting Year Ended: **30 June 2018**

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 3)

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($000)

18(vii): Opening Regulatory Asset Base

			30 Jun 17
		Regulatory asset base as at 30 June 2016	489,468
	less	Forecast depreciation	23,330
	plus	Forecast revaluations	7,238
	plus	Assets commissioned	54,254
	less	Asset disposals	–
	plus (less)	Forecast adjustment resulting from cost allocation	(3,257)
		Estimate of regulatory asset base at start of price setting event	524,373

18(viii): Forecast Asset Base

			Pricing Period Starting Year - 1 30 Jun 17	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
		Forecast asset base—previous year	489,468	524,373	530,385	534,128	543,648	541,528
	less	Forecast depreciation	23,330	20,968	19,574	21,910	24,496	24,219
	plus	Forecast revaluations	7,238	7,289	10,693	10,289	10,873	10,831
	plus	Assets commissioned	54,254	19,692	12,623	21,141	11,503	17,158
	less	Asset disposals	–	–	–	–	–	–
	plus (less)	Forecast adjustment resulting from cost allocation	(3,257)	(0)	0	0	(0)	0
		Forecast closing asset base	524,373	530,385	534,128	543,648	541,528	545,298

Description and explanation of the depreciation methodology applied

CIAL has set its prices using, and has used in this disclosure, a tilted annuity method of depreciation for all disclosure assets. The inputs required for this method (in addition to the remaining life of the assets) are a tilt factor and real WACC, which will be "locked in" at 1.5% and 4.74% for PSE3. This depreciation method was selected because it delivered a desirable long term trend in prices (i.e. maintaining the decision in PSE2 for a more efficient spreading of cost recovery over time) whilst being practicable to apply in the context of Information Disclosure. Substantial customers agreed with the application of this depreciation method. A more detailed explanation of CIAL's approach to depreciation is included in Section G3 (paragraphs 91-109) of the accompanying disclosure document and the formula CIAL has used is set out in its consultation documents.

18(ix): Forecast Works Under Construction

		Works under construction—previous year	1,110	–	–	–	–	–
	plus	Capital expenditure	53,144	19,692	12,623	21,141	11,503	17,158
	less	Assets commissioned	54,254	19,692	12,623	21,141	11,503	17,158
		Works under construction	–	–	–	–	–	–

18(x): Assets held for future use cost and base value

		Assets held for future use opening cost—previous year		–	–	–	–	–
	plus	Forecast holding costs						
	less	Forecast assets held for future use net revenue						
	plus	Forecast assets held for future use additions						
	less	Forecast assets held for future use disposals						
	less	Forecast transfers to works under construction						
		Assets held for future use closing cost	–	–	–	–	–	–
		Initial base value						
	plus	Opening tracking revaluations						
		Opening base value	–	–	–	–	–	–
	plus	Forecast assets held for future use revaluations						
	plus	Forecast assets held for future use additions	–	–	–	–	–	–
	less	Forecast assets held for future use disposals	–	–	–	–	–	–
	less	Forecast transfers to works under construction	–	–	–	–	–	–
		Closing base value	–	–	–	–	–	–
		Tracking revaluations	–	–	–	–	–	–

Assumptions and explanations of any assets held for future use revenues

CIAL has not set an "assets held for future use charge" as defined in the ID Determination, and consequently this information is not relevant to this pricing event disclosure (and completion of this section is not required).

Regulated Airport	Christchurch International Airport Ltd
Pricing Period Starting Year Ended	30 June 2018

SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 4)

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18(xi): Forecast Capital Expenditure

($000)	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	Pricing Period Starting Year + 5 30 Jun 23	Pricing Period Starting Year + 6 30 Jun 24	Pricing Period Starting Year + 7 30 Jun 25	Pricing Period Starting Year + 8 30 Jun 26	Pricing Period Starting Year + 9 30 Jun 27	Total
Capital Expenditure by Category											
Capacity growth	12,277	1,567	10,959	2,684	6,726	12,432	1,153	19,296	1,199	25,690	
Asset replacement and renewal	7,415	11,056	10,182	8,820	10,432	12,330	11,238	12,909	9,692	8,508	
Total capital expenditure	19,692	12,623	21,141	11,503	17,158	24,761	12,391	32,205	10,892	34,198	
Capital Expenditure by Key Capital Expenditure Project											
Airfield paving works	2,655	6,366	5,441	4,197	5,390	5,186	6,257	5,476	4,510	3,222	48,701
Jet Ground Power	1,539	1,567	1,066	1,086	–	–	–	–	–	–	5,258
Cat 3 Nav 02 20	–	–	–	–	5,540	11,302	–	–	–	–	16,842
Terminal reconfiguration	–	–	8,539	–	–	–	–	–	–	–	8,539
Airfield Major Project	–	–	–	–	–	–	–	–	–	24,467	24,467
International Major Project	–	–	–	–	–	–	–	18,120	–	–	18,120
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Other capital expenditure	15,497	4,690	6,095	6,220	6,228	8,274	6,134	8,608	6,382	6,509	74,637
Total Capital Expenditure	19,692	12,623	21,141	11,503	17,158	24,761	12,391	32,205	10,892	34,198	196,564

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SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 5)

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Basis for Cost Allocation

the Input Methodologies and relevant Information Disclosure requirements, and require:
- assets to be directly attributable to an activity to be so allocated; and
- use of an accounting based allocator for other assets, which must be:
(a) based upon a causal relationship if one can be established (causal relationship is further defined as a circumstance that affected the utilisation of the asset over a defined previous period); or
(b) otherwise a proxy allocator is to be used.

As part of the price review, CIAL has extended the allocation methods applied for disclosure purposes to allow for a breakdown of the expenditure and assets within disclosure between the priced and non-priced services. The FY16 pricing RAB disclosed in Schedule 19 shows the application of the method as it existed at the time of the FY16 disclosures. Some of the movement in the pricing RAB between FY16 and 17 reflects a refinement of this disaggregation into priced and non-priced services, including in response to feedback from substantial customers. In addition, as part of the price review, the specific allocators produced by the disclosure allocation methods have also been updated (for example, new plans of the current terminal and its use were commissioned and applied for disclosure and pricing purposes).

An explanation of where and why disclosures differ from the cost-allocation Input Methodology and/or, where costs are shared between regulated and non-regulated assets, an explanation of the basis for that allocation.

Key Capital Expenditure Projects—Consumer Demands Assessment

CIAL's forecast PSE3 capital expenditure included business as usual capex (which airlines gave no specific feedback on) and a number of major capital projects which were consulted on. More detail around forecast capital expenditure is included in Section G2 (paragraphs 86-90) of the accompanying disclosure document.

An explanation of how consumer demands have been assessed and incorporated for each reported project and the degree to which consumers agree with project scope, timing and cost.

18(xii) Forecast operational expenditure

($000)	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
Corporate overheads	7,677	7,170	7,337	7,489	7,645
Asset management and airport operations	31,265	28,888	29,386	29,950	30,525
Asset maintenance	1,824	1,863	1,907	1,946	1,987
Forecast operational expenditure	40,765	37,921	38,630	39,385	40,157

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SCHEDULE 18: REPORT ON THE FORECAST TOTAL ASSET BASE REVENUE REQUIREMENTS (cont 6)

ref *Version 4.0*

18(xiii) Forecast financial incentives

ref	($000)	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
277	Forecast pricing incentives	5,587	2,355	2,234	2,234	2,234
278	Forecast other incentives					
279	Forecast total financial incentives	5,587	2,355	2,234	2,234	2,234

18(xiv) Forecast revaluations

ref		Pricing Period Starting Year - 1 30 Jun 17	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
284	**Forecast CPI used to set prices**						
285	Forecast pricing CPI (%)	1.49%	1.39%	2.02%	1.93%	2.00%	2.00%
286	**Asset category revaluation rates (%)**						
287	Land	1.49%	1.39%	2.02%	1.93%	2.00%	2.00%
288	Sealed Surfaces	1.49%	1.39%	2.02%	1.93%	2.00%	2.00%
289	Infrastructure and buildings	1.49%	1.39%	2.02%	1.93%	2.00%	2.00%
290	Vehicles, plant and equipment	1.49%	1.39%	2.02%	1.93%	2.00%	2.00%
291	**Revaluations ($000s)**						
292	Land	1,480	1,398	2,056	2,004	2,121	2,163
293	Sealed Surfaces	1,691	1,666	2,547	2,522	2,699	2,749
294	Infrastructure and buildings	3,918	4,059	5,847	5,532	5,814	5,691
295	Vehicles, plant and equipment	148	166	243	230	239	228
296	Total forecast revaluations	7,238	7,289	10,693	10,289	10,873	10,831
297							
298	Value of any forecast revaluations not consistent with IMs	–	–	–	–	–	–

18(xv) Alternative methodologies with equivalent effect

299

Description of and explanation for any alternative methodologies with equivalent effect that have been applied and which components they have been applied to (including evidence to support that it is likely to have equivalent effect)

300

301 NA

302

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SCHEDULE 21 – CERTIFICATION FOR DISCLOSED INFORMATION – YEAR ENDED 30 JUNE 2019

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
28 November 2019

Kate Morrison
Director
28 November 2019

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, Chantelle Gernetzky, 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 2019 ('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.

Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
28 November 2019