

14 August 2012

TelferYoung
Canterbury

The Chief Financial Officer
Wellington International Airport Limited
P O Box 14175
WELLINGTON 6241

Attention: Mr Martin Harrington

Dear Martin

**Re: Commerce Commission Conference
Comment on Valuation Issue**

As requested we have considered the question raised by the Commission at the recent conference.

The Commission posed the question:

“Should the MVAU methodology be more tightly specified? If so, in what way?”.

The valuation methodology is detailed in Schedule A to the Commerce Commission Decision No. 709 “Specified Airport Services Input Methodologies” dated 22 December 2010.

Schedule A “Airport Land Valuation Methodology” provides a framework for a valuer to apply when undertaking a valuation of land held by an airport for the purposes of the determination. The requirements are mandatory.

The framework includes:

- + MVAU Definition
- + Professional Valuation Framework
- + Valuation Standards
- + MVAU Valuation Methods
- + Practical Valuation Requirements
- + MVAU Valuation Steps

In our opinion the framework provides clear guidelines on principles, valuation methodologies and application.

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The overriding requirement is to value the land at its Highest and Best Alternative Use (H&BAU). This is the most probable use of the land which is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest valuation of the land.

The valuation steps are clearly defined in Clause A10(a) - (j). The major, and most difficult step, is to establish H&BAU.

The H&BAU may not be constant over time. It may change due to market demand, absorption, demographic change and use patterns.

Changes in the H&BAU will impact on the other inputs including:

- + Developments Costs
- + Gross Realisation
- + Development Timing
- + Market Absorption

We do not consider there is any realistic way in which the methodology and its application can be more tightly specified.

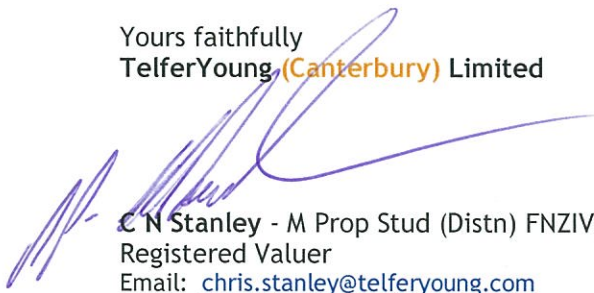
The valuation of the WIAL land, by TelferYoung, on an H&BAU basis has followed the methodology set by the Determination. The development plan proposed by Boffa Miskell provides for the most probable alternative use of the land as opposed to an alternative use which was proposed by advisers to BARNZ in the recent consultation with WIAL. TelferYoung, in conjunction with Boffa Miskell, gave extensive consideration to the views expressed by the BARNZ advisers and made some modifications to our initial valuation as a result. We are aware that our valuation reports have been provided to the Commission, and our advice to WIAL during the consultation has been published by WIAL.

The development costs have been included in the valuation were prepared by Opus and all inputs to the valuation model were also critically reviewed following consultation with BARNZ.

Conclusion

TelferYoung prepared the land valuation, in accordance with the Determination Input Methodology and confirms that it reflects the most probable alternative use of the land and the associated highest valuation in accordance with the Input Methodology. TelferYoung considers that the current framework input methodology is robust and transparent and provides appropriate guidance.

Yours faithfully
TelferYoung (Canterbury) Limited



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