

13 March 2014

Brett Woods
Senior Analyst, Regulation Branch
Commerce Commission
Level 6, 44-52 The Terrace
PO Box 2351
WELLINGTON 6011

BY EMAIL

Dear Mr Woods,

WHETHER THE COMMERCE COMMISSION SHOULD REVIEW OR AMEND THE COST OF CAPITAL INPUT METHODOLOGIES

Auckland Council Investments Limited is the largest shareholder in Auckland International Airport ("AIA") and would like the commission to be aware of its views on whether the Commission should review or amend the cost of capital input methodologies.

The determination of the WACC for a business is a very complex exercise and decisions as to whether the 50th or 75th percentile estimate should be used are very important and need to be considered carefully in conjunction with the other inputs. The selection of either the 50th or 75th percentile is of little point if there are serious deficiencies in the calculation of the range. It would be better in our view to examine ways in which a better estimate of the true cost of capital could be determined in a more considered timetable rather than taking short cuts to "solve" the problem.

We note that the market estimates of WACC for AIA are higher than the 75th percentile and, if correct, a reduction to the 50th percentile may have significant unintended consequences affecting investment decisions.

Please contact the writer if you require any further information.

Yours sincerely



Gary Swift
Chief Executive
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