

Wellington  
J2773

31 October 2002

Hon Lianne Dalziel  
Minister of Commerce  
Parliament Buildings  
Wellington

Dear Minister

#### **AIRPORTS INQUIRY – REVIEW OF SUBMISSIONS**

The Commission has been asked by your officials at the Ministry of Economic Development (the Ministry) to comment on the 15 submissions made to you on the Commission's Airports Inquiry Report (the Report). The Commission has considered all of the submissions. This letter summarises the findings of the Commission's review.

The review considered whether there are any calculations in the Report that need to be corrected, and whether there are any inconsistencies in the application of assumptions used in the Report. The review did not include updating the analysis in the Report with more recent information now available. The review is, therefore, not an update of the Report, but a further check on the analysis conducted at the time.

In short, there are two calculations in the Report that need to be corrected, but these would not cause the Commission's recommendations in the Report to change.

As the Ministry has asked the Commission to comment on the submissions, I have provided a copy of this letter to your officials.

#### **Summary of assessment**

Most of the allegations made in the submissions of errors were not in fact errors, in the Commission's view, but critiques of judgements that the Commission was required to make.

There were, however, two calculations in the Report that the Commission considers require correction, which impact on the findings for Auckland International Airport Limited (AIAL) and Wellington International Airport Limited (WIAL). All numerical results presented in this letter are rounded to one decimal point (being the nearest \$100,000). The calculations are as follows:

- the Commission used international MCTOW figures for AIAL rather than the figures for all traffic in its projections for 2001-2007. Use of the correct data would reduce the net benefits to acquirers of control of AIAL by \$0.3m per annum on average (the incorrect calculation was identified by AIAL); and
- the Commission deducted the revaluation of the seawall at WIAL twice from WIAL's asset base (instead of once). This correction would reduce the net benefits to acquirers of control of WIAL generally, including removal of small positive benefits of control to acquirers at the lower end of the Commission's range of results (the incorrect calculation was identified by WIAL).

The Commission considers you may wish to make your decision on whether or not to declare control at any of the airports with the above two calculations corrected. Correcting those two calculations would have the following impact:

- AIAL – reduces the net benefits of control from \$2.0-2.1m to \$1.7-1.8m per annum at the Commission's point estimate of WACC; and
- WIAL – reduces the net benefits of control from \$-0.5m to \$-1.9m per annum at the Commission's point estimate of WACC.

In the case of Christchurch International Airport Limited (CIAL), there are no issues that the Commission considers need correcting.

### **Additional matters to consider**

There are four additional matters raised by submitters that you may wish to consider in deciding whether to declare control at any of the airports. For each of these matters, there are differing views among the key interested parties as to the weight that should be given to them. The matters are as follows:

- AIAL – whether AIAL's operating expenses in 2005-2007 should be increased by inflation. Including inflation of 1.5% per annum (a reasonable estimate of the inflation forecast for New Zealand at the time the Commission concluded its Report) would reduce the net benefits to acquirers of control of AIAL (relative to the new base case above) by \$0.1 m per annum;

- AIAL – whether any capital expenditure should be included in forecasts for 2005-2007 for AIAL. The Commission did not include any in its Report. Including a figure of \$1.6m per annum (an estimate derived from AIAL’s historical and forecast expenditure figures, which the Commission considers a reasonable estimate) would reduce the net benefits to acquirers of control of AIAL (relative to the new base case above) by less than \$0.1m per annum (approximately \$0.05m per annum);
- WIAL – whether a new weighted average cost of capital (WACC) (different from the 1997 WACC used by the Commission) should be used from 1 July 2002 as a result of WIAL introducing new prices at that time. If the Commission had used a new (and lower) WACC from 1 July 2002, the net benefits to acquirers of control of WIAL (relative to the new base case above) would increase by \$0.1m per annum;
- all airports – whether any future revaluation gains should be included for:
  - land (to opportunity cost) – the Commission did not include any revaluations to land in its Report because of the difficulties of making forecasts. Estimates for revaluations to land could be based on inflation for a possible lower bound estimate, or another, higher estimate derived from other information (e.g. BARNZ’s estimate for AIAL); and
  - non-land assets (to ODRC) – the Commission did not include any revaluations to non-land assets in its Report, as this was unnecessary under the Commission’s approach. The issue is, however, relevant for the minority view and some allowance could be made for it. For example, including revaluation gains on such assets of 1.5% per annum (the inflation rate assumption) would increase the net benefits to acquirers of control of AIAL under the minority’s preferred approach by \$0.9m per annum.

For AIAL, the impact of revaluation gains on land of 1.5% (the assumed inflation rate) would increase the net benefits to acquirers of control of AIAL (relative to the new base case above) by \$0.5m per annum. If revaluation gains were assumed to be \$4.4m per annum (a figure derived from a submission by BARNZ, which assumes revaluation gains will accrue at a rate greater than inflation), the increase would be \$2.2m per annum.

For WIAL, land revaluation gains would only affect the 2001-2003 results. Assuming gains of 1.5% (the assumed inflation rate), the net benefits to acquirers of control of WIAL would increase by \$0.5m per annum (relative to the new base case above). This provides a possible lower bound estimate; information was not available to the Commission to support an upper bound estimate, as was done for AIAL above. For CIAL, the Commission included CIAL’s estimates of revaluation gains on land in its Report.

The Commission had already considered the above four matters in preparing its Report. The judgements made at that time took into account a range of factors, including the absence of available information and the difficulty of making forecasts. With the benefit of the further submissions, however, the Commission considers that there may have been a case for incorporating the impact of those matters in the Report. However, the point remains that all forecasts have a degree of uncertainty.

If all these additional matters were included in the analysis on the basis of the assumptions made above, the impact (including correction for the two calculations discussed above) would be as follows:

- AIAL – the net benefits to acquirers of control of AIAL would be \$2.0m-2.1m per annum using the low estimate for land revaluations, which by coincidence is the same range as the figures the Commission based its recommendations on in the Report. For the high estimate for land revaluations, the net benefits to acquirers of control of AIAL would be \$3.7m-3.9m per annum. These results use the Commission’s point estimate of WACC;
- WIAL – the net benefits to acquirers of control of WIAL would be reduced to \$–1.5m per annum at the Commission’s point estimate of WACC; and
- CIAL – no impact.

The Commission wishes to emphasise that, in light of it having considered these matters in preparing the Report, it is not advocating you incorporate them into your decision on whether to declare control at any of the airports. The Commission does, however, consider you should be cognisant that the analysis in the Report is sensitive to the assumptions made for these matters.

The Commission considers that further consultation would be required with interested parties before it could recommend that the possible revisions noted above (and therefore their aggregate impact) should be accepted, particularly given the sensitivity of the issues and the strongly held contrary views on their appropriate treatment. As the Commission has provided its Report to you, it would not have been appropriate for it to further consult with interested parties. However, should you wish to direct the Commission to consult further, we would be happy to do so. Were this be required, it would likely take 2-3 months.

### **Closing comment**

The Commission does not intend to make a media statement. The Commission is, however, proposing to make this letter publicly available should interested parties request it, and to provide it to the airports and BARNZ as soon as possible. Prior to doing this, the Commission will liaise with your office to ensure you agree with this approach.

The Commission had subjected its analysis to critique by interested parties at the Draft Report stage, and to internal and external peer review prior to providing its Report to you. The Commission regrets the two incorrect calculations made in its Report. Their correction does not cause the Commission’s recommendations in the Report to change.

Yours sincerely

**John Belgrave**  
Chair

cc: Peter Mumford  
Director, Regulatory and Competition Policy Branch, MED

## UPDATED NUMERICAL ANALYSIS FOR AIAL (EXCESS RETURNS AND NET BENEFITS)

**Note:** [Square bracketed figures] are those that the Commission considers should be treated as confidential

### Commission Recommendation

AIAL – Final Report 1 August 2002

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	2,316 to 6,446	4,540
<b>2002</b>	1,943 to 6,883	4,603
<b>2003</b>	-160 to 5,509	2,892
<b>2004</b>	-844 to 5,217	2,419
<b>2005</b>	-1,316 to 5,208	2,196
<b>2006</b>	804 to 7,119	4,204
<b>2007</b>	2,973 to 9,075	6,259
<b>Average</b>	816 to 6,494	3,873

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	580 to 4,492	2,523 to 2,665
<b>2002</b>	[ ]	[ ]
<b>2003</b>	[ ]	[ ]
<b>2004</b>	[ ]	[ ]
<b>2005</b>	[ ]	[ ]
<b>2006</b>	[ ]	[ ]
<b>2007</b>	[ ]	[ ]
<b>Average</b>	-647 to 4,494	2,011 to 2,139

AIAL – (1) adjusting for MCTOW error – Revised Base Case

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	1,662 to 5,958	3,975
<b>2002</b>	1,937 to 6,877	4,597
<b>2003</b>	-211 to 5,459	2,842
<b>2004</b>	-1,102 to 4,960	2,162
<b>2005</b>	-1,842 to 4,683	1,671
<b>2006</b>	-1 to 6,313	3,399
<b>2007</b>	1,875 to 7,977	5,161
<b>Average</b>	331 to 6,033	3,401

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	89 to 4,123	2,097 to 2,239
<b>2002</b>	[ ]	[ ]
<b>2003</b>	[ ]	[ ]
<b>2004</b>	[ ]	[ ]
<b>2005</b>	[ ]	[ ]
<b>2006</b>	[ ]	[ ]

	Over WACC Range	At Point Estimate
2007	[ ]	[ ]
<b>Average</b>	-1,042 to 4,146	1,656 to 1,784

AIAL – (2) adjusting for opex 2005-2007 (incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	1,662 to 5,958	3,975
2002	1,937 to 6,877	4,597
2003	-211 to 5,459	2,842
2004	-1,102 to 4,960	2,162
2005	-1,981 to 4,544	1,533
2006	-280 to 6,034	3,119
2007	1,452 to 7,555	4,738
<b>Average</b>	211 to 5,912	3,281

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	89 to 4,124	2,098 to 2,240
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	-1,145 to 4,057	1,566 to 1,695

AIAL – (3) adjusting for capex 2005-2007 (incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	1,662 to 5,958	3,975
2002	1,937 to 6,877	4,597
2003	-211 to 5,459	2,842
2004	-1,102 to 4,960	2,162
2005	-1,842 to 4,683	1,671
2006	-154 to 6,200	3,267
2007	1,570 to 7,754	4,900
<b>Average</b>	266 to 5,984	3,345

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	89 to 4,124	2,098 to 2,240
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	-1,097 to 4,110	1,614 to 1,742

AIAL – (4a) adjusting for low land revaluation gains  
(incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	2,565 to 6,861	4,878
2002	2,678 to 7,665	5,363
2003	453 to 6,194	3,544
2004	-514 to 5,642	2,801
2005	-1,334 to 5,311	2,244
2006	429 to 6,887	3,906
2007	2,223 to 8,495	5,600
<b>Average</b>	929 to 6,722	4,048

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	768 to 4,805	2,778 to 2,920
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	-547 to 4,666	2,143 to 2,271

AIAL – (4b) adjusting for high land revaluation gains  
(incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	6,062 to 10,358	8,375
2002	5,474 to 10,643	8,258
2003	2,894 to 8,907	6,132
2004	1,572 to 8,091	5,083
2005	400 to 7,498	4,222
2006	1,810 to 8,811	5,580
2007	3,254 to 10,157	6,971
<b>Average</b>	3,067 to 9,209	6,374

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	3,401 to 7,449	5,417 to 5,559
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	1,126 to 6,544	3,895 to 4,024

AIAL – Cumulative impact of adjustments (1), (2), (3) and (4a)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	2,565 to 6,861	4,878
2002	2,678 to 7,665	5,363
2003	453 to 6,194	3,544
2004	-514 to 5,642	2,801
2005	-1,494 to 5,151	2,084
2006	-48 to 6,451	3,452
2007	1,432 to 7,784	4,852
<b>Average</b>	725 to 6,535	3,853

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	768 to 4,805	2,778 to 2,920
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	-705 to 4,527	1,997 to 2,126

AIAL – Cumulative impact of adjustments (1), (2), (3) and (4b)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	6,062 to 10,358	8,375
2002	5,474 to 10,643	8,257
2003	2,894 to 8,907	6,132
2004	1,572 to 8,091	5,083
2005	240 to 7,337	4,061
2006	1,334 to 8,375	5,125
2007	2,463 to 9,447	6,223
<b>Average</b>	2,863 to 9,023	6,180

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	3,401 to 7,448	5,417 to 5,559
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	975 to 6,405	3,750 to 3,878



## Minority View (AIAL)

AIAL – Final Report 1 August 2002

Estimated Excess Returns for AIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-655 to 4,032	1,869
<b>2002</b>	-698 to 4,779	2,250
<b>2003</b>	-2,742 to 3,449	591
<b>2004</b>	-3,366 to 3,201	170
<b>2005</b>	-3,779 to 3,236	1
<b>2006</b>	-1,597 to 5,191	2,057
<b>2007</b>	630 to 7,191	4,163
<b>Average</b>	1,744 to 4,440	1,585

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,813 to 2,673	513 to 655
<b>2002</b>	[            ]	[            ]
<b>2003</b>	[            ]	[            ]
<b>2004</b>	[            ]	[            ]
<b>2005</b>	[            ]	[            ]
<b>2006</b>	[            ]	[            ]
<b>2007</b>	[            ]	[            ]
<b>Average</b>	-2,946 to 2,946	291 to 419

AIAL – (1) adjusting for MCTOW error – Revised Base Case

Estimated Excess Returns for AIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,309 to 3,544	1,304
<b>2002</b>	-705 to 4,773	2,244
<b>2003</b>	-2,793 to 3,398	540
<b>2004</b>	-3,624 to 2,943	-87
<b>2005</b>	-4,304 to 2,711	-526
<b>2006</b>	-2,403 to 4,385	1,252
<b>2007</b>	-467 to 6,093	3,065
<b>Average</b>	-2,229 to 3,978	1,113

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-2,468 to 2,305	89 to 231
<b>2002</b>	[            ]	[            ]
<b>2003</b>	[            ]	[            ]
<b>2004</b>	[            ]	[            ]
<b>2005</b>	[            ]	[            ]
<b>2006</b>	[            ]	[            ]
<b>2007</b>	[            ]	[            ]
<b>Average</b>	-3,409 to 2,599	-85 to 43

AIAL – (2) adjusting for opex 2005-2007 (incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-1,309 to 3,544	1,304
2002	-705 to 4,773	2,244
2003	-2,793 to 3,398	540
2004	-3,624 to 2,943	-87
2005	-4,443 to 2,572	-665
2006	-2,682 to 4,105	972
2007	-890 to 5,670	2,642
<b>Average</b>	<b>-2,349 to 3,858</b>	<b>993</b>

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-2,468 to 2,305	89 to 231
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	<b>-3,528 to 2,510</b>	<b>-179 to 51</b>

AIAL – (3) adjusting for capex 2005-2007 (incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-1,309 to 3,544	1,304
2002	-705 to 4,773	2,244
2003	-2,793 to 3,398	540
2004	-3,624 to 2,943	-87
2005	-4,304 to 2,711	-526
2006	-2,556 to 4,272	1,120
2007	-771 to 5,869	2,804
<b>Average</b>	<b>-2,295 to 3,930</b>	<b>1,057</b>

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-2,468 to 2,305	89 to 231
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	<b>-3,475 to 2,562</b>	<b>-127 to 1</b>

AIAL – (4a) adjusting for low land revaluation gains  
(incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-406 to 4,447	2,207
2002	35 to 5,560	3,010
2003	-2,129 to 4,133	1,243
2004	-3,036 to 3,625	550
2005	-3,795 to 3,339	46
2006	-1,973 to 4,958	1,759
2007	-118 to 6,611	3,505
<b>Average</b>	<b>-1,632 to 4,668</b>	<b>1,760</b>

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-1,564 to 2,985	768 to 909
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	<b>-2,812 to 3,118</b>	<b>422 to 550</b>

AIAL – (4b) adjusting for high land revaluation gains  
(incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	3,090 to 7,944	5,704
2002	2,831 to 8,538	5,904
2003	311 to 6,847	3,830
2004	-950 to 6,075	2,832
2005	-2,062 to 5,525	2,023
2006	-592 to 6,882	3,432
2007	911 to 8,273	4,875
<b>Average</b>	<b>505 to 7,155</b>	<b>4,086</b>

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	1,156 to 5,623	3,400 to 3,542
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	<b>-928 to 4,993</b>	<b>2,171 to 2,299</b>

AIAL – (5) adjusting for non-land revaluation gains  
(incremental to revised base)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	288 to 5,141	2,901
2002	605 to 6,165	3,599
2003	-1,618 to 4,698	1,783
2004	-2,585 to 4,150	1,041
2005	-3,404 to 3,822	478
2006	-1,643 to 5,399	2,148
2007	148 to 7,009	3,843
<b>Average</b>	-1,172 to 5,198	2,257

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-942 to 3,508	1,289 to 1,431
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	-2,389 to 3,517	796 to 924

AIAL – Cumulative impact of adjustments (1), (2), (3), (4a) and (5)

Estimated Excess Returns for AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	1,191 to 6,044	3,804
2002	1,346 to 6,953	4,365
2003	-953 to 5,433	2,485
2004	-1,997 to 4,832	1,679
2005	-3,056 to 4,290	899
2006	-1,691 to 5,537	2,201
2007	-294 to 6,816	3,534
<b>Average</b>	-779 to 5,701	2,710

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	Over WACC Range	At Point Estimate
2001	-265 to 4,189	1,969 to 2,111
2002	[ ]	[ ]
2003	[ ]	[ ]
2004	[ ]	[ ]
2005	[ ]	[ ]
2006	[ ]	[ ]
2007	[ ]	[ ]
<b>Average</b>	-2,046 to 3,898	1,137 to 1,265

AIAL – Cumulative impact of adjustments (1), (2), (3), (4b) and (5)

Estimated Excess Returns for AIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	4,688 to 9,541	7,301
<b>2002</b>	4,142 to 9,931	7,259
<b>2003</b>	1,487 to 8,147	5,073
<b>2004</b>	88 to 7,281	3,961
<b>2005</b>	-1,322 to 6,476	2,876
<b>2006</b>	-309 to 7,461	3,874
<b>2007</b>	736 to 8,478	4,905
<b>Average</b>	1,358 to 8,188	5,036

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by AIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	2,350 to 6,831	4,605 to 4,747
<b>2002</b>	[ ]	[ ]
<b>2003</b>	[ ]	[ ]
<b>2004</b>	[ ]	[ ]
<b>2005</b>	[ ]	[ ]
<b>2006</b>	[ ]	[ ]
<b>2007</b>	[ ]	[ ]
<b>Average</b>	-217 to 5,775	2,887 to 3,016

**UPDATED NUMERICAL ANALYSIS FOR WIAL  
(EXCESS RETURNS AND NET BENEFITS)**

**Commission Recommendation**

WIAL – Final Report 1 August 2002

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	11 to 1,465	794
<b>2002</b>	-831 to 596	-62
<b>2003</b>	554 to 1,976	1,320
<b>Average</b>	-88 to 1,346	684

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,367 to 482	-401
<b>2002</b>	-2,205 to -171	-1,058
<b>2003</b>	-958 to 868	-4
<b>Average</b>	-1,510 to 393	-488

WIAL – (1) adjusting for Seawall error – Revised Base Case

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,798 to -5	-833
<b>2002</b>	-2,596 to -840	-1,650
<b>2003</b>	-1,166 to 574	-229
<b>Average</b>	-1,854 to -90	-904

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-3,179 to -625	-1,832
<b>2002</b>	-3,981 to -1,461	-2,652
<b>2003</b>	-2,543 to -189	-1,227
<b>Average</b>	-3,235 to -758	-1,903

WIAL – (2) adjusting for WACC 2003 (incremental to revised base)

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,798 to -5	-833
<b>2002</b>	-2,596 to -840	-1,650
<b>2003</b>	-673 to 1,067	264
<b>Average</b>	-1,689 to 74	-740

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-3,179 to -625	-1,832

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2002</b>	-3,981 to -1,461	-2,652
<b>2003</b>	-2,048 to 182	-799
<b>Average</b>	-3,069 to -634	-1,760

WIAL – (3) adjusting for land revaluation (incremental to revised base)

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,272 to 520	-307
<b>2002</b>	-2,119 to -348	-1,165
<b>2003</b>	-738 to 1,030	214
<b>Average</b>	-1,376 to 401	-419

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-2,651 to -229	-1,305
<b>2002</b>	-3,499 to -969	-2,164
<b>2003</b>	-2,113 to 154	-837
<b>Average</b>	-2,755 to -348	-1,435

WIAL – Cumulative impact of adjustments (1), (2) and (3)

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,272 to 520	-307
<b>2002</b>	-2,652 to -882	-1,699
<b>2003</b>	-236 to 1,531	715
<b>Average</b>	-1,387 to 390	-430

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-2,651 to -229	-1,305
<b>2002</b>	-4,038 to -1,503	-2,700
<b>2003</b>	-1,611 to 532	-460
<b>Average</b>	-2,767 to -400	-1,488

## Minority View (WIAL)

### WIAL – Final Report 1 August 2002

Estimated Excess Returns for WIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	-1,025 to -3,130	-1,997
<b>2002</b>	-4,327 to -2,260	-3,214
<b>2003</b>	-2,849 to -809	-1,751
<b>Average</b>	-3,435 to -1,365	-2,320

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	-4,522 to -1,647	-3,001
<b>2002</b>	-5,733 to -2,889	-4,229
<b>2003</b>	-4,236 to -1,431	-2,753
<b>Average</b>	-4,830 to -1,989	-3,328

### WIAL – (1) adjusting for Seawall error

No adjustment required. The seawall was not removed from WIAL's asset base by the minority, and therefore the value of the seawall was not adjusted in the Report (and, therefore, is not in need of readjustment).

### WIAL – (2) adjusting for WACC 2003 (incremental to final report)

Estimated Excess Returns for WIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	-1,025 to -3,130	-1,997
<b>2002</b>	-4,327 to -2,260	-3,214
<b>2003</b>	-2,371 to -232	-1,173
<b>Average</b>	-3,243 to -1,173	-2,128

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	-4,522 to -1,647	-3,001
<b>2002</b>	-5,733 to -2,889	-4,229
<b>2003</b>	-3,654 to 852	-2,172
<b>Average</b>	-4,637 to -1,796	-3,135

### WIAL – (3) adjusting for land revaluation (incremental to final report)

Estimated Excess Returns for WIAL (\$000s)

	Over WACC Range	At Point Estimate
<b>2001</b>	-2,604 to -500	-1,471
<b>2002</b>	-3,850 to -1,769	-2,729
<b>2003</b>	-2,420 to -353	-1,307
<b>Average</b>	-2,958 to -874	-1,836



Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-3,992 to -1,120	-2,473
<b>2002</b>	-5,249 to -2,395	-3,739
<b>2003</b>	-3,804 to -974	-2,307
<b>Average</b>	-4,348 to -1,496	-2,840

WIAL – (4) adjusting for non-land revaluation (incremental to final report)

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-2,441 to -337	-1,308
<b>2002</b>	-3,702 to -1,617	-2,579
<b>2003</b>	-2,287 to -212	-1,170
<b>Average</b>	-2,810 to -722	-1,686

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-3,827 to -957	-2,309
<b>2002</b>	-5,099 to -2,241	-3,587
<b>2003</b>	-3,670 to -832	-2,169
<b>Average</b>	-4,199 to -1,343	-2,688

WIAL – Cumulative impact of adjustments (1), (2), (3) and (4)

Estimated Excess Returns for WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-1,916 to 188	-782
<b>2002</b>	-3,224 to -1,126	-2,094
<b>2003</b>	-1,263 to 840	-131
<b>Average</b>	-2,135 to -33	-1,003

Estimated Potential Net Benefits to Acquirers of Control of Airfield Activities Supplied by WIAL (\$000s)

	<b>Over WACC Range</b>	<b>At Point Estimate</b>
<b>2001</b>	-3,298 to -478	-1,781
<b>2002</b>	-4,616 to -1,748	-3,098
<b>2003</b>	-2,640 to 9	-1,128
<b>Average</b>	-3,518 to 739	-2,003