

Attachment 1

MEMORANDUM OF UNDERSTANDING BETWEEN AIAL AND AUA**MEMORANDUM OF UNDERSTANDING****BETWEEN****AUCKLAND INTERNATIONAL AIRPORT LIMITED**
(referred to herein as AIAL)**AND****THE AIRLINES USING AUCKLAND INTERNATIONAL AIRPORT**
(referred to herein as AUA)

WHEREAS AIAL is a limited liability company, formed on 1 April 1988 to manage and develop to the satisfaction of its Shareholders, the Auckland Airport and associated business.

AND

AUA are an important client and key component in the present and future operation of the Auckland Airport and associated business.

EACH PARTY RECOGNISES THAT

The historical association between Auckland Airport and AUA which existed prior to 1 April 1988 was a relationship of users with an Airport Authority as opposed to the present relationship which is with a limited liability company that is required to have defined commercial objectives.

A plan for the long-term development of AIAL is both a necessity and of critical importance to both AIAL and AUA and it is therefore essential that close co-operation between the parties be established.

THIS DOCUMENT Serves to confirm and reinforce the sincere desire of each party to work together in developing, to mutual benefit, the opportunities available at Auckland Airport.

Records that AIAL is keen to exhibit to AUA that its objectives and philosophies encompass the objectives and needs of both its shareholders and the AUA and that AIAL is also aware of its responsibilities to the community at large.

Records that AUA accepts the responsibilities and objectives of AIAL and is prepared to contribute to the development of AIAL via meaningful consultations and understandings.

IN RECOGNITION OF THE FOREGOING AIAL IS PREPARED TO -

Consult with AUA on a regular basis on all subject matters of major concern to AUA.

Report to AUA on a regular basis on its financial status projections and profitability including management reporting on the following cost centres:

- (a) Airfield
- (b) Domestic Terminal
- (c) International Terminal
- (d) Rescue Fire
- (e) Other Cost Centres which may be established from time-to-time.

Confirm a profit ceiling of 10% after tax on Shareholders' Funds on the Airfield, Domestic and International Terminal Cost Centres and 5% after tax on Shareholders' Funds on the Rescue Fire Cost Centre.

Provide for AUA to contribute on a regular basis inputs which will be considered prior to presentation to the Board of the Operating Budgets of the Company.

Provide AUA with a summary of the Board approved Operating Budgets of the Company.

Provide AUA with other information from time to time in respect of the operating efficiency of AIAL.

Consult with AUA prior to entering into any binding arrangement or agreement for any service or supply where such service or supply impacts directly upon AUA.

Discuss in detail with AUA all significant Capital Expenditure projects prior to commitment to proceed with same.

IN RECOGNITION OF THE FOREGOING AUA UNDERTAKES TO -

Establish a delegation of up to 5 senior staff representing the major users and vested with authority to be part of the consultative process.

Accept that any information sought within this understanding shall be significant and of real consequence to AUA.

Ensure that any consultation is not protracted or detrimental to the progress of AIAL.

Where requested by AIAL provide such information as is reasonably necessary to AIAL in the carrying out of its duties and responsibilities.

IT IS ALSO RECORDED THAT EACH PARTY ACCEPTS THAT -

The future development of Auckland Airport is of critical importance to each and also to the community at large.

There is need to provide a cost-effective and operationally efficient Airport.

Each has a real responsibility to the other and that such responsibility will always be exercised in a manner and form befitting their organisations.

Each sincerely commits to the practices, consultations and other understandings that could be expected within the Spirit and Intent of each working for the common good of Auckland Airport.

Any change in the valuations at which the assets of AIAL are accounted for in its books and records will be reflected in the Auckland Airport User Charges.

The context of consultation referred to within this Understanding is not intended to replace the discussion process which already exists in day-to-day ongoing relationships.

Whilst AIAL has nominated herein its willingness to consult and share information on a regular basis the total responsibility for the management of Auckland Airport rests with AIAL.

Should any event occur which is outside the control of the parties and is inconsistent with this Document then this Document will be open to reconsideration at the instigation of either party.

COMMENTARY

Within the foregoing certain points are noted in relative isolation. The following advices are therefore deemed to be helpful to both parties:

- Responsibility to the community at large recognises the fact that AIAL has a responsibility to the wellbeing of the community served by AIAL including the general public. Such responsibilities are embraced by constructive public relations activities coupled with an attitude of responsible citizenry.

- AIAL's overall commercial objective is to achieve an annual market related return on its shareholders' funds, but in consultation with AUA is prepared to accept a level of return on certain nominated profit centres which may not at a point in time be in concert with its overall financial objectives.
- AIAL recognises that its continuing success is dependent upon providing services and facilities appropriate to its customers' requirements and undertakes to continue to seek information, advice and counsel from AUA in respect of same.
- AIAL has no objective of any form which is synonymous with inefficiency. It is the stated intention of AIAL to run an efficient and cost-effective Airport.

"This Understanding" has been developed between the parties within a framework of goodwill and is signed by representatives of the parties as hereunder :

AUCKLAND INTERNATIONAL
AIRPORT LIMITED

AIRLINES USING AUCKLAND



.....
J. P. Goulter
CHIEF EXECUTIVE
AUCKLAND INTERNATIONAL
AIRPORT LIMITED



.....
Herbert G. Harris
CHAIRMAN
NEW ZEALAND AIRLINE INDUSTRY USER
CHARGES COMMITTEE