Question and Answer

Operator

[Operator Instructions] Your first questions come from the line of Andy Bowley of Forsyth Barr.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

I've got a couple of questions, and the first one just kind of follows on from what you've just been saying around CapEx, Adrian, particularly around the integrated terminal. I recognize you kind of used the words here recommence future integrated domestic terminal planning. Can you give us a sense now of the timing of when we'll likely to see the full transfer of domestic from the existing terminal across the integrated terminal? And kind of I recognize you're still kind of going through consultation but expectations around costs now?

Adrian Littlewood
Chief Executive Officer

Look, we don't have any update on costs. And in terms of timing, we're still saying around that 2020, 2021 time period. Look, I think it's interesting to think about what's happened in the past year. The introduction of Jetstar regional, for example, was a great example of what can change within a short period and as the fleet changes from Air New Zealand. So look, I think it's too early to say exactly what that will do in terms of the outcomes of times and changes required. And I think it would be probably a bit early to hear any detail on that subject without having completed the consultation with our airline partners.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

But are you finding, in terms of passenger flow-through, the existing domestic terminal, the life of that terminal is just being extended beyond what you'd expected previously? Could that be case or...

Adrian Littlewood
Chief Executive Officer

I think there's many parts to it, so it's not just passengers but it's also airfield and, obviously, those and -- as well as everything else, forecourts, parking and the like. So I think we always have to look at it as a system rather than pure passenger numbers. And so what we've seen with the recent changes we made to the domestic terminal is it is actually functioning very well with those changes, but obviously, we've had some challenges and pressure on airfield, which is why we increased the regional stands for -- at the Air New Zealand, and if you want call it that, of the regional terminal. And happily, we've been able to find answers for Jetstar's regional growth. But ultimately, it's the whole system together that we look at, not just one part of it.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

And I guess last thing on CapEx. In terms of the uplift for aeronautical for fiscal '16, what kind of level of CapEx do you envisage at this stage for fiscal '17, i.e. the last year of the current price path?

Adrian Littlewood
Chief Executive Officer

Look, at this stage, we still think it's broadly in line with price set CapEx, but it is, as I said, firming slightly in those outer years, and it will very much depend on Pier B, for example, and what happens there. And that will be part of the consultation with the airlines around how they see their fleet mix changing and how that growth will unfold in the final 2 years. So look, it's -- at the moment, we've got positive growth, certainly higher than we expected through initial price set period, but I guess it will depend on fleet change, gauge, everything else that goes on in the next little period. So a little bit early to say exactly what that will be, but we do think it's firming in those outer years.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

And then last question here around international pax growth, which has clearly been pretty strong now for another year, and airline capacity announcements suggest that we've got another good year ahead. What's your kind of read on the capacity expansion for the next 12 months?

Adrian Littlewood
Chief Executive Officer

I still think we remain generally positive. I think there are always changes that can affect confidence in different markets. And I think what we've seen is in the last couple of years is actually the airlines start to build much more flexibility into their businesses. And so you're seeing much more rapid change if a route is not performing, and we sort of suffered from that early in the year last year. So the Adelaide and Singapore cancellations from Jetstar was a good example of that. And so I think, particularly both Qantas and Air New Zealand have built much more flexibility. So I think it will be a response to market. I think, generally, we are comfortable with the forwards in terms of what's coming in. We haven't quite seen yet what the summer will look like in terms of what the airlines are locking in on partly because seasonal is still yet to be confirmed. It's still a little bit of time before they confirm that. But in terms of scheduled services, we know from announcements already that, that's looking reasonably solid for the year ahead.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

In terms of the kind of the rate that you've seen in the last 12 months, are you confident of being able to achieve that kind of level of growth again?

Adrian Littlewood
Chief Executive Officer

We're going into a pretty good guide for where we think it will end up. But again, we will -- I only counseled that we were a bit surprised by Q1 last year, right? So we thought we would have a more even year than we did in the end. We actually had a very soft quarter for Q1, which I think was about 1.5% up on international. It came very strongly in the back part, which left us finishing very well. I think that we're always a bit cautious to see how that will play out in these early months of the year. But overall indications, I think, remain pretty solid subject to China catching a cold or Europe doing the same. I don't think it always needs to be looked at in that context.

Operator

Your next question comes from the line of Marcus Curley of UBS.

Marcus Curley
UBS Investment Bank, Research Division

Just a few for me. Just clarifying that, Adrian, are you able to give us the international passenger volume growth that establishes the range in terms of your guidance?

Adrian Littlewood
Chief Executive Officer

No, we don't share a number on that. We will generally give you a sense of where we think it's going to play, but we're careful about what we think it will be because we can often be wrong. I guess what we're expressing is confidence, again, based on what we hear but don't want to put a number on it at this stage. But as I said to Andy, I think, generally, what we've seen over the last year is a reasonably good guide, but we're not going to put a number on it.

Marcus Curley

UBS Investment Bank, Research Division

And just to clarify a second point there, you mentioned schedule capacity. Can you give us a feel in terms of what that number is?

Adrian Littlewood
Chief Executive Officer

I think what I was referring to you were things like the Air China announcement, the Houston announcement, the Buenos Aires announcement, those kinds of things that are known and publicly announced, Philippine Airlines, because there's been quite a bunch, China Eastern even. So I guess the swings we don't know yet are seasonal, yet to be confirmed. Again, it might take a different shape this year given the number of scheduled new services we've had announced. So if you remember, in prior years, we had quite strong seasonal programs then led into permanent. This year, we've had quite strong permanent schedule announcements. So we're not quite clear on what the seasonal profile will look like.

Marcus Curley
UBS Investment Bank, Research Division

Okay. And secondly, on the CapEx with the guidance for this year, it looks like the vast majority of the international departures area looks to be incorporated in aeronautical. Yes, the question is, how much of it or what percentage of it is? And is that, I suppose, still on target to be opened progressively from -- starting from the middle of next year?

Adrian Littlewood
Chief Executive Officer

Yes, look, so we haven't shared any detail on that yet because we're still going through the final stages of actually working out some of the design issues, mainly because we had to wait through the precursor projects that we talked about, and so we're just talking to the airlines around at the moment. So we haven't released any allocation on that. I think in terms of timing, I think we signaled towards the peak period or somewhere next year is the first primary stage that we focus on. Obviously, that's the main area that we need to get going on, the processing area, so that remains on track.

Marcus Curley
UBS Investment Bank, Research Division

Okay. And then just with regards to costs, you mentioned at end of the pack that there's been a new arrangement on share-based incentives. Can you -- and obviously, there's been 2 higher portfolio departures out of that arrangement. Can you give us some color in terms of, yes, how the exit payments will be dealt with? So are they incorporated in your guidance? And to what level share-based payments are likely to be in '16?

Adrian Littlewood
Chief Executive Officer

What share-based payments will be will very much depend on performance, I would say. So it's hard to predict exactly what they will turn out. I can say that yes, we are covered in terms of the settlement of the LTI topic, so that's been covered off.

Marcus Curley
UBS Investment Bank, Research Division

So what do you mean by that? So the payments for exiting staff are incorporated in the guidance? Or will that be treated as a one-off?

Adrian Littlewood
Chief Executive Officer

Incorporated.

Marcus Curley
UBS Investment Bank, Research Division

Okay. And then just finally, on depreciation, it was sort of quite a weird year, down in the first half, up in the second half. You're looking like an exit run rate of around $34.5 million. Can you give us any color on what the outturn is likely to be next year? Or should we be using $34 million as the right base or doubling that as the right base?

Phil Neutze
Chief Financial Officer

Marcus, I'll step in here. We did a property, plant and equipment reevaluation for 2015, and that in itself is going to result in a significant uplift in depreciation expense. Obviously, it's noncash, but that should deliver 10% or so increase in depreciation. And we've also upped our recent CapEx in some IT-oriented projects like AOS, specs, tracking, those sorts of projects. Together, we're expecting depreciation to lift by approximately $10 million for FY '16.

Marcus Curley
UBS Investment Bank, Research Division

Over the FY '15 number? And then finally, you mentioned, Adrian, that you've confirmed the hotel. Is that within the property CapEx number for this year coming or is that still to be included? If so, how much are we looking for?

Phil Neutze
Chief Financial Officer

We are currently at the planning stages for that. So there's design is included in that. We'd need to come back to you on the split between years of the actual physical CapEx.

Adrian Littlewood
Chief Executive Officer

What we've confirmed is the site and the products, we've just got to get it to the final detail and then cost and execution sequencing.

Operator

Your next question comes from the line of Paul Turnbull of First NZ Capital.

Paul Turnbull
Jarden Limited, Research Division

Just a question, firstly, you made comment around China and I guess other markets potentially catching a cold. We are seeing some macro weakness now inside that market. Australia, we know what's going on there, and lead indicators for New Zealand as well are starting to point down. Can you provide a bit more color in terms of what you're seeing potentially in terms of risk from, I guess, the declining macro environment and how, I guess, that balances out against, I guess, the capacity of deployment of the airlines and also structural growth of middle-class Asia?

Adrian Littlewood
Chief Executive Officer

Yes, look, so -- absolutely. So look, I always and continue to focus on the long term. And I think the overall story continues to be positive for us as a country from emerging markets, and I think we need to keep broadening that beyond China to look at India, Philippines, Indonesia and other markets. I think, obviously, in the near term, we've obviously got some headwinds, you might call them, in those markets. But look, I would say a couple of things is on the China market, so we had a bunch of new direct services being announced and confirmed. Sort of anecdotal feedback from the airlines is positive, so they're looking quite happy about the summer, which is good news from what we can tell. Again, anecdotal. And I'd also say that it's -- I might have mentioned this earlier is what we've seen that lasted a while is -- actually is we've done some very detailed analysis on our markets trying to understand the flows of people from different points rather than just looking at point-to-point routes, so looking beyond the actual hub points. And what's that telling us is that we've had a lot of, say, Chinese customers trying to get to New Zealand but being constrained. And so they've been coming over different hubs like Singapore and China and other places, which has actually constrained seat availability for other markets that have been trying to get here like India and onwards to Europe. Since what see is we see almost a transfer of some of the passengers from indirect to direct, which will support those services and an opening up of other routes or other endpoints from the capacity that's been released through those other hubs like Singapore and Incheon. So I think we're always going to look at how people move around rather than just routes on their own. And so I think we remain reasonably comfortable with how China is going to go. I think the other part to that puzzle is obviously capacity has also been supported by lower fuel prices, so that's obviously helping their staying lower for longer. And I think also New Zealand currency will support that. If you think back in the last 1.5 years, New Zealand dollar has been as strong as it has been for long time in years. Tourism growth has continued to be very positive. So I think with the New Zealand dollar that's relatively weaker, that can only really help us in international markets. So I think overall, Paul, I think we still remain comfortable and confident. We haven't yet seen any signs of those headwinds emerging just yet.

Paul Turnbull
Jarden Limited, Research Division

And I guess the currency is an interesting one from a New Zealand tourist perspective as well. Do you think you might see a transfer away from the longer-haul routes, on the, say, trans-Tasman? And given, I guess, the significant decline in the Kiwi against the U.S. and...

Adrian Littlewood
Chief Executive Officer

Yes, but that often does happen, so people tend to spend time, they tend to still want to go on holiday, they just change where they go often. So we have seen that in Australia as well. The Aussies use to fill up Aspen and the rest of Colorado, but they're now starting to stay closer to home and maybe they're coming to Queenstown. So I do think people's behavior does change, and they spend the same amount of money, which means they may be go somewhere else. So look, I think that, again, that's set against, I mean, cheaper flights and cheaper services, right? So I think with increasing competition on markets to New Zealand and to Australian and the like, I think that will probably provide somewhat a hedge against a lot of things [ph] travel due to the cheaper dollar.

Paul Turnbull
Jarden Limited, Research Division

Yes, sure. And just in terms of the outbound terminal expansion, just the timing. I know you mentioned the customs area before now, but in terms of the retail pricing, when you're looking -- what's your current thoughts on timing for that to open?

Adrian Littlewood
Chief Executive Officer

It's broadly, I think, in line with where we said before. So I think from memory, so we said international processing area, targeting the next summer peak, so that's towards into next year. I think the retail area progressively opens in the following calendar year. So I think it's in multiple stages, obviously, given it's quite a complex build.

Paul Turnbull
Jarden Limited, Research Division

Yes. I think I had something like, I think, last -- November '17 or something.

Adrian Littlewood
Chief Executive Officer

Yes, that is right. So I do -- I mean, we do anchor this very much around the peak periods and trying to get the core areas opened up in time for those peaks.

Paul Turnbull
Jarden Limited, Research Division

Right. And final question for me, in terms of the commercial land bank, there's been obviously a number of reevaluations that are going on, but have you got an update for what that land bank value currently sits at? I think it was $225 million in the last disclosure a year ago.

Phil Neutze
Chief Financial Officer

Look, I'll need to look that one up for you, Paul. I'll come back on that one during this call.

Operator

Your next question comes from the line of Grant Swanepoel of Craigs Investment Partners.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

My first question just on the long-term incentive changes. When they mentioned that the board has reviewed and amended the previous plan by capping potential future rewards, if the share price does come off, the revaluation gains that you have put through this year and last year, could those come off a little bit? Or have those been banked already with the changes going through in the future? My second question is just on the price path going forward and with the review now probably starting up in earnest later on this year. You guys were planning to break even relative to the allowable WACC in FY '14 -- or in FY '15, sorry. You did that in FY '14. This year, can you give us some sort of idea where you're sitting currently relative to where the Commission would have you guys return on a non-inflationary measure, as you mentioned yourself? I have it at about 100 basis points above the line. And does this concern you, particularly with your guidance for next year and the following year where you might be sitting in FY '17 if no changes come about? Sorry, convoluted questions.

Adrian Littlewood
Chief Executive Officer

Well, we'll try and pick that up off. Look, I'll just try and pick up the first one, and I'll ask Phil to tackle the second and slash, third one. So Grant, I just want to clarify your question on the rebuild changes and it connects to LTI, so just can you explain that again?

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Well, your incentive scheme that has been pushing through the provision for current value or for $6.5 million this year, if I'm correct, has a component that can move back down if the share price comes off. Now with the board having said that you have capped the potential future rewards, does that mean actually the downside has also been capped? So if the share price does come off, would we not see a reversal in some of those gains?

Adrian Littlewood
Chief Executive Officer

I see. So no, downside is not capped, so it's opening at the bottom, it's capped at the top. Sorry, Phil, over to you.

Phil Neutze
Chief Financial Officer

Yes. So I'll comment on price path, but actually, just coming back to Paul's question on the land bank. So that's set out in the '12, and there was an increase in that land bank from $224.8 million up to $236 million -- sorry, $234.6 million. Looking at our ROI, as you'll see from our disclosure statements, we tend to take a longer-term view of that for the entire pricing period. And we look at it on an IRR basis, excluding revaluations, the same approach the Commission took at Section 6, 56G review. And we were tracking at the moment as absolutely being on target. So we are targeting a return of 8% after tax for the pricing period, and we expect to deliver based on where we're sitting today, very close to that forecast. So we don't see an ROI issue at all for this current pricing period. Where we get to -- for the next pricing period, obviously, we have a price path that starts low and then grows at around about inflation of the price period. You start off with lower-than-targeted ROI at the start of the period, and you finish with higher-than-targeted at the end. That's the reality for this current pricing period. The IRR is what we're targeting, and the Commission is comfortable, but it does mean that going into next pricing period, in order to continue on that trajectory, either you need additional assets in your asset base or for the target WACC to change. At the moment, with the discussions we're having around potential recovery of holding costs on our land held for future use and what's happening with our CapEx profile, we are still confident that an inflation-like price path for the next pricing period is appropriate and can be delivered.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

So just to clarify, what you're saying is when you guys do publish in November or when the Comm Comm looks back at you guys in November that you expect to be totally complying as you just complied in FY '14, so FY '15 will be no difference to that? Is that what you're saying?

Phil Neutze
Chief Financial Officer

FY '15 will be a higher ROI, but that was always planned and tendered and understood by the Commerce Commission. Just to clarify, again, you start the pricing period with below-target returns and you finish with above, and that gives you an average IRR over the period. And at the moment, we are tracking to deliver exactly what we forecast at the time of pricing for this pricing period.

Adrian Littlewood
Chief Executive Officer

Grant, it's important to know that this is not a perfect science, right, so these things always move around as passenger volumes grow and assumptions -- and/or outcomes turn out to be different from what you assumed going into the pricing period. But as Phil said, at a moment based on the levels we've got, it looks broadly in line.

Operator

[Operator Instructions] Your next question comes from the line of Rob Koh of Morgan Stanley.

Robert Koh
Morgan Stanley, Research Division

Just 2 quick detailed questions and then a bigger picture question about financing, if I may. Just on the car park revenues, which, again, have shown growth. Are you able to provide color on how much of that is due to new products versus capacity?

Adrian Littlewood
Chief Executive Officer

Off the top of my head, certainly, I think the yields have firmed during the year. Look, for us, it's always an interplay between capacity and yield. And what we've been doing is really quite going hard after unlocking parking space at close and adjacent to the terminal for public. So I think there has been a firming of the yields during the year.

Robert Koh
Morgan Stanley, Research Division

Okay, great. And then secondly, on expenses and obviously, staffing costs are focused for reasons other guys have gone into. Are you able to just give us a sense of what the run rate for '16 should look like? Is that the simplest way to look at it?

Adrian Littlewood
Chief Executive Officer

Yes, look, we probably can't give you too much detail on that other than to say that there will be some impacts through some of the changes that have taken place in the last few months. And as Grant highlighted earlier, these things are open-ended, so depending on performance, that will determine what the outcome looks like.

Robert Koh
Morgan Stanley, Research Division

Yes, okay, fair enough. And then finally, just in relation to your debt credit ratings, are you able to provide any color on how the rating agencies are viewing you guys? I mean, obviously, it's a very strong investment-grade rating, but are they viewing you at the top end of the band, the lower end of the band, that kind of thing?

Phil Neutze
Chief Financial Officer

Sure. Actually, we've got our next rating reviews coming up in the next few weeks, so we don't have an updated view, but I can comment in relation to the planning that we put in place for the capital return last year. So the current Standard & Poor's, the corporate rating's approach, they have what's called an anchor rating, and then they overlay that with other more qualitative elements. Their anchor rating for Auckland Airport is an A, you'll see that if you refer to their last published report. They -- and it's based on an analysis of business risks and financial risks. It's modified down to an A- because that's the intention of the company is to retain an A-. So what you could say is we've got a certain amount of headroom to our A- rating. We have publicly stated that we seek to retain that A- rating going forward, and it's our intention.

Operator

We have a follow-up question from Marcus Curley of UBS.

Marcus Curley
UBS Investment Bank, Research Division

Just following up on the comments you made around the future looking aeronautical charges being inflation-like. I just wondered if you can provide a little bit more specific guidance in terms of what exceptions you're effectively assuming in there. You mentioned land held for future aeronautical use, the runway land, so to get to that inflation-like price increase in the next price setting period, you're dropping that land in. Is there anything else that you're assuming to get to that type of outcome?

Adrian Littlewood
Chief Executive Officer

So Marcus, I think it's just a little bit too early to go any further than that. I mean, I think, in reality, there's a lot of water to flow under the bridge. We've got a lot of these things to work through in terms of forecasts, there's consultation, there's development plans. There's an awful lot of work to go on yet before we form a firm view on what the outcome might be, and we're 2 years out. So I think there's plenty of work to do yet. So I wouldn't want to go any further than that.

Marcus Curley
UBS Investment Bank, Research Division

Yes, I was just surprised you gave the comment then.

Adrian Littlewood

Chief Executive Officer

Look, it's a case of looking at the different inputs and outputs, and we're working through with the airlines on all the detail and 2 years to go. I think there's plenty to go, so I wouldn't put too much focus on that right now.

Operator

There are no further questions at this time, gentlemen. Please continue.

Adrian Littlewood
Chief Executive Officer

All right. Thank you, ladies and gentlemen, for your time today. We look forward to meeting some of you later today and catching up with others in meetings in the future.

Operator
That does conclude our conference for today. Thank you for participating. You may all disconnect.