Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Grant Swanepoel from Craigs Investment Partners.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Just 2 quick questions. On the retail PSR being down 3.1%, you have in the past, given us an indication of what PSR is once you exclude the tobacco impact. Can you give us a comment on that number, please? And then the quantum of your incentives scheme, can you give us some sort of idea, that $2 million to $3 million? And is it linked to gross share price movement or is it movement outperformance?

Simon D. Robertson
Former Chief Financial Officer

Simon here, Grant. Retail PSR wasn't as massively indicated and impacted by tobacco. It was one of the items that we had. I don't have a breakdown of that number for you but it was for the first part of the 6 month period where we let the tobacco. So it was part of the story, but not certainly the whole story. And we wouldn't want to give that impression that it was. I didn't catch your second question, if you could repeat that for me, that would be great.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Apologies. The incentive scheme that kicked in due to share price movement. Is it linked to gross share price movement or is it linked to share price movement outperformance or some sort of benchmark? And if you can, can you give us an idea of what the quantum was? Is it $2 million to $3 million or higher or lower?

Simon D. Robertson
Former Chief Financial Officer

Yes, sure. So the long-term incentive program is linked to total shareholder returns. And in order for those phantom options to be exercisable, the total shareholder returns have to beat an independent calculated cost of equity by 1%. If that condition is not met, then there can be no reward under that scheme. It requires a 3-year vesting period. So it's a combination of share price appreciation and dividend returns that get included in that. The expense is in the notes to the account so I think it's at about $2.6 million for the half year, which was about $1.7 million higher than what the prior corresponding period was for the equivalent accrual.

Operator

Your next question comes from the line of Andy Bowley from Forsyth Barr.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

A couple of questions for me. Again, starting on the retail side of things. I recognize you couldn't give us the x tobacco PSR, but if I just read the wording in terms of that Slide 20, the decrease of 3.1 largely due to restrictions in Australia, outbound tobacco, et cetera, Chinese travel laws, interior change in Australian currency. Excluding all of those, would PSR still be down?

Adrian Littlewood
Chief Executive Officer

Andy, Adrian here. Very hard to predict. It's very hard to unpick and isolate each one of those items individually. I guess what we're highlighting is we've got a sense of where the issues lie and how we respond to it. And as I said in my commentary before, for example, the -- in the travel laws, it was targeting shopping tourists, for example and those lower value tours that, I don't think that, that attracted to, but that did affect off the April Duty Free sales coming through. Hard to exactly predict exactly how much was attached to that, but that's just the strong sense that we get based on anecdotal feedback. So I can't be specifically precise about each one of those elements.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

Fair enough. Just on the Chinese inbound, I recognize the change in the travel laws in China, reflecting those kind of retail type tours. Now, in terms of spend at the airport, how does the spend of those kind of tourists coming from China differ to those that are coming direct, more independent type travelers?

Adrian Littlewood
Chief Executive Officer

Look, I think we've seen this before that the direct free and independent travelers if you like, are far more attractive for us and that's been one of the, I guess, pleasing elements, is the growth in that FRT [ph] market has continued to go. So that's obviously something we want to continue focusing on and it's why we do things like retail ambassador speaking Mandarin on the floor while we do all the Chinese New Year activations on the ground here, because we recognize that value. The other element to that is obviously, if you're on a shopping tour group, you're more likely to be encouraged, call it that, to make your spend on the tour rather than at the airport. So I think something worth noting. I will just add to that is anecdotal feedback again, but these 2 elements, we understand that the market has been through this cycle before of increasing regulation and then the market has adjusted and returned in a different form. That may still happen here. It's still early days, this change in the travel laws only took place in October, so you may see that market come back in a different form. Obviously, we prefer the higher-value customers to continue to grow but that group tour will come back in a reshape.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

And second question and again, following Grant in terms of the incentive structure. If I think about your first half provision, assuming share price stays at similar levels, should we expect a similar type expense in the second half for bonus payments?

Simon D. Robertson
Former Chief Financial Officer

Andy, Simon here. The short answer to that is broadly, yes, actually. So if the share price stayed at current levels, there would be largely a similar expense item for the half. Now, that would probably mean that the full year would end up not too far away from what it was last year.

Operator

Your next question comes from the line of Carolyn Holmes from JPMorgan.

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

Question on CapEx, please, a follow up in the cash flow statement. The CapEx in the first half was about 50-odd -- $51 million, split between investment properties of $25 million and then $26.5 million. Guidance for the second half, please and again, split between investment properties and even just an idea or in terms of aero CapEx versus non-aero?

Simon D. Robertson
Former Chief Financial Officer

Yes, we'd expect a smaller lift in total CapEx, really driven by the investment property CapEx with a few projects that are underway will be kicked off in the second half. So originally, our guidance I think was, from memory, was about $120 million and we would be expecting about that number again. So we haven't updated that but it will be driven by property, will be the biggest lift.

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

Okay. And my second question is in terms of the operating system, presuming that's an IT system. What's that all about and what does that -- what kind of benefit that you believe that you'll get out of it?

Adrian Littlewood
Chief Executive Officer

Sure, yes. So we call it the airport operating system or AOS. So really, really simply, we have a series of legacy systems, tools and almost very basic ways of working across different agencies and organizations that operate at the airport. Really what we're fundamentally doing is putting in place a common platform that can take data feeds from many, many different sources, consolidate into one area and share that information across all the agencies and operators that work at the airport. What that allows everyone to do, but given that so many people need to work together on this, is to work off the same information that's near real-time or real-time if required, so that we can quickly adjust process and performance or action to respond to operating challenges in the airport. So it's an IT platform. It is in other airports around the world and we've seen significant operational gains and efficiency gains off the back of it. So this is a part of being Fast, Efficient and Effective and this is a longer-term plan for us.

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

So is this more about managing aircraft movements, packs, volumes, all that kind of thing going through the airport? It has nothing to do with the back office type of IT type systems?

Adrian Littlewood
Chief Executive Officer

Yes, look, that's actually right. It's very into -- and right from planes on the runway right through potentially, the carpark and other areas. You can extend it as far as you like and it covers the whole airport system. And it's the airport part as opposed to back office scenario office here.

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

Okay. And is this a what they call it, an off the shelf type of package or is it bespoke?

Adrian Littlewood
Chief Executive Officer

No, we prefer off the shelf. So we're working with a sort of a best-of-breed operator and it's a system that's been rolled out in some other airports around the world. So we prefer to work with experts in the stuff who've done it before rather than...

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

And how expensive is the system and what kind of return do you get out of it?

Simon D. Robertson
Former Chief Financial Officer

It's actually relatively modest or it actually suggests -- so this will be about probably a $4 million project. And the benefits we'll see will be in productivities, as Adrian outlined, which will -- largely, we will see that in efficiency inside, therefore it will impact future capital expenditure.

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

Okay. And my last question is in terms of the marketing expenditure. So that was down a little bit relative to the PCP. If you break it up between the marketing incentives that you offer airlines versus just normal marketing promotions, what's the kind of split, Simon? And I suppose when you compare it to other airports, you take it at this line whereas all those guys might actually take it as a niche of aero charges?

Simon D. Robertson
Former Chief Financial Officer

Yes, Caroline. So typically, what we'd find in most other cases is other airports would have it as a reduction in their revenues. As you know, we don't want to incentivize through discounts in our sales. We'd rather work with the airline partners to focus on growth to Auckland Airport. It's sort of a rough rule of thumb is that we would probably spend sort of generally around $3 million-ish a year on what we would describe as sort of kicking start some of the marketing activity before these potentially new services on and the remind really, is very strongly linked to new activity.

Operator

Your next question comes from the line of Lance Reynolds from UBS.

Lance Reynolds
UBS Investment Bank, Research Division

Just a couple of questions on retail again, sorry. Did you guys conduct any surveys on the tobacco impact on Australia and see any evidence of pull through? People not queuing because they're not acquiring tobaccos? My first one. Second one is just on New Zealand tobacco regulation. Are you seeing anything within your industry discussions that would tell us that could be more imminent pre-election? And thirdly, I guess, is a great offset the re-tendering midyear process. Could you just kind of update us on that, what you're seeing from Sydney and for your own kind of re-tendering process, the time and when that will kick in?

Adrian Littlewood
Chief Executive Officer

So a couple of things. In terms of the basket affect if I think about -- call it that from a retail point of view as it links to tobacco, we haven't really been able to pinpoint anything specific. We know there is some correlation between spend but our initial investigations suggested that people actually just shifted spend to other categories. It's almost -- and I think I might've said this before, our sense was people had $100 to spend on whatever it was and if they didn't spend it on tobacco, they'd spend it on something else. So we haven't really been able to unpack that adjacency or basket spend impact, so I can't give you any more insight on that. In terms of New Zealand tobacco regulations, I guess it's sort of just watch and see. The marry party has been talking a great deal about plain packaging and that seems to be the focus. I guess we just wait to see how that unfolds, and I don't have any new information on that today. I'm not sure I quite understand your question about the re-tender in Sydney. I think if it was about timing. We've announced our intention to go to tender. Obviously, we haven't announced specifically, the timing yet but we obviously watch very closely what's going on in Australia. I'm not sure if that answers your question or not.

Lance Reynolds
UBS Investment Bank, Research Division

Yes, just on that, so your -- I mean, my understanding was your prices is midyear, is that correct?

Adrian Littlewood
Chief Executive Officer

Yes, broadly. Yes.

Lance Reynolds

UBS Investment Bank, Research Division

So when will they actually kick in finding a mark [ph] there's a tendering sort of period. When would you say that -- would that benefit this year's financial results or is it more next year and you can't give us some type of...

Adrian Littlewood
Chief Executive Officer

No, unlikely to fit this year. So there's a decent process attached to doing this properly and we need to do that properly. So it's a process that starts this year sometime and we haven't announced exactly when yet. But it won't affect this year, unlikely to.

Operator

Your next question is a follow-up question from Grant Swanepoel from Craigs Investment Partners.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

Just a clarification. Your comments on the p75 versus the p50 in your current airport, your information disclosure already compared profitability to the p50. Is that quite correct in terms of the one that the ComCom put out and concluded that over the 5-year period, you comply or is that just a disclosure you put in through using a p50 in your own interpretation?

Simon D. Robertson
Former Chief Financial Officer

Yes, Grant. Just so to clarify, so there's 2 types of information disclosure that we report. First of all, there is the information disclosure surrounding our pricing decisions. That was what the Commerce Commission then undertook via 56G analysis on us. The Commerce Commission used both the 50th and the 75th percentile in its analysis. But concluded that where we came in just under the 75th percentile, that we fell within an acceptable range. It's not particularly clear to us what the impact would be in assessing our actual pricing decisions at some point in the future. It should there be a change to the 50th percentile whether there would still be a range of outcomes that they would look to, rather than a single precise number. The second type of disclosure that we have is our annual disclosures. In those annual disclosures, the comparison of our ROI is to a 50th percentile WACC.

Operator

Your next question comes from the line of Marcus Curley from Goldman Sachs.

Marcus Curley
Goldman Sachs Group Inc., Research Division

Just a couple of quick ones. You mentioned about the increase in space at the international terminal. If I can -- just give us a bit of color in terms of size and timing of that release of space?

Adrian Littlewood
Chief Executive Officer

Sure. So the 3 elements that I talked about were a reconfiguration of our Eastern wing. For those of you who know it, it's near where [indiscernible] is, which will add actual retail space through a bit of allocation of space there. The food court which will be a same space but reconfiguration to add retailing, bit of retailing space for FNB and more seats. And the third part is the footprint expansion in pier B. So around about 400-odd square meters of footprint. The actual retail footprint of that 400 is still to be determined as part of the negotiation that are going on at the moment. I think that's forecast to be completed, I think, June, July.

Marcus Curley
Goldman Sachs Group Inc., Research Division

So operational in June, July?

Adrian Littlewood
Chief Executive Officer

Yes.

Marcus Curley
Goldman Sachs Group Inc., Research Division

And then just secondly, as you noted, a pickup in new services in the second half relative to the first half. Would you expect to see any material level of increase in marketing costs second half versus first half?

Simon D. Robertson
Former Chief Financial Officer

Yes, Marcus. Simon here. Because our marketing approach does link to actual activity, it is -- we are expecting a lift in the marketing expenses associated with aeronautical business activity in the second half compared to the first half. So the short answer to that is, yes.

Marcus Curley
Goldman Sachs Group Inc., Research Division

Could you give any sort of...

Simon D. Robertson
Former Chief Financial Officer

We're not expecting it to be aggressively so. But we are expecting a lift.

Operator

There are no further questions at this time. Mr. Adrian Littlewood, please continue.

Adrian Littlewood
Chief Executive Officer

All right. Thank you for those questions. It was a good discussion. And thank you for joining us today, and we look forward to seeing some of you later on today. So thank you for your time.

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