



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Quarterly report for the period ending
30 September 2021

Philip Cory-Wright	Chair
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1. Introduction

This report for Q1 FY2022 ended 30th September 2021 is presented by Papa Rererangi i Puketapu Ltd (PRIP) in accordance with the requirements of Sections 64 and 65 of the Local Government Act 2002 referencing the company's Statement of Intent and PRIP's monitoring and reporting requirements.

2. Responsibilities

PRIP was established in July 2017 and is 100% owned by New Plymouth District Council (NPDC). The company operates as a Council Controlled Trading Organisation (CTO) through an independent skills-based Board of Directors and employs its own Chief Executive and staff. PRIP operates under a Statement of Intent (SOI) agreed to by its Directors and is consistent with a Statement of Expectations issued by NPDC.

PRIP's prime purpose is to operate the Airport on a sustainable commercial basis and to ensure the ongoing safe and successful operation of the Airport. PRIP owns passenger terminals, aircraft hangars, airside infrastructure, car parking areas, roading and underground utilities. These facilities are sited on land occupied under a long-term lease from NPDC.

PRIP's primary objectives are to:

- operate the Airport in full compliance with the regulations set down by the New Zealand Civil Aviation Authority
- ensure that the business is run on a sustainable commercial basis
- optimise the use of its assets
- generate a reasonable rate of return on investment.

The key to this is to ensure the ongoing safe and successful operation of the Airport, whilst also facilitating the growth of tourism and trade by working collaboratively with key stakeholders to sustainably increase passenger numbers.

The Airport provides services to allow the safe and efficient facilitation of travellers and freight and, ancillary to this, leases terminal space and land at the Airport.

The Airport is viewed as an essential infrastructure asset for New Plymouth and has a key role to play in the economic performance, growth and development of the Taranaki region. As part of this, PRIP will work collaboratively with the airlines, NPDC, Venture Taranaki, the Chamber of Commerce, Iwi and other local key stakeholders to work towards the region's common strategic goals.

3. PRIP establishment

There are various agreements that have been established between the Council and PRIP for the ongoing operation of the Airport namely:

- Service Level Agreement
- Loan Facility Agreement
- General Security Deed
- Intergroup Asset Transfer
- Deed of Lease of Airport Land

The Service Level Agreement has changed during the first three years since PRIP was formed and for FY2022 now only encompasses the supply of hardware and software for telecommunications and data services together with operational support. The SLA is to be reviewed.

The loan facility agreement was established to fund the Airport Terminal redevelopment (Tranche A), provide a working capital facility for other projects and to assist with operational cash flow (Tranche B).

Based on forecast capital expenditure and cash flows, the combined limit of both Tranches is expected to be sufficient to meet all of PRIP's cash requirements. However, considering the terminal redevelopment has now been completed, there is a need to amend the terms of Tranche A to ensure the purpose and scope include capital expenditure projects other than the Terminal redevelopment. A review of the loan agreement is currently being worked on.

The Aerodrome certification, operation and use are governed by the New Zealand Civil Aviation Authority (CAA) and NPDC is currently the Aerodrome Operator Certificate (AOC) holder. Under an agreement with the CAA, PRIP manages the Airport on behalf of NPDC as if it was the holder of the Aerodrome Operator Certificate holder in its own right.

4. Executive summary

The first quarter of FY2022 started off strongly with July passenger numbers being higher than forecasted. Air New Zealand was looking at increasing capacity to meet the strong demand and PRIP was looking at a strong financial result for FY2022. The Delta variant of COVID-19 and the subsequent outbreak and lockdowns has resulted in a major downturn in airline travel which has had a significant impact across the business.

The nationwide Level 4 lockdown was announced on August 17th and flights to and from NPL stopped completely 2 days later. Although flights resumed to WLG and CHC on September 1st there has been no resumption of AKL flights. AKL flights are scheduled to restart on December 15th

The flight reductions have had the expected flow on to the commercial operators in the terminal. Car parking, cafés and rental cars have all been impacted. Customers have had to follow the appropriate level guidelines which has been done without any significant incidents.

During this period no new capital projects have been undertaken. The project to install EV charges in the public and staff carpark is now underway. PRIP is also evaluating the feasibility of a solar installation. The project to redesign the entranceway and roading into the airport precinct is being reviewed.

5. Key personnel

a) Directors

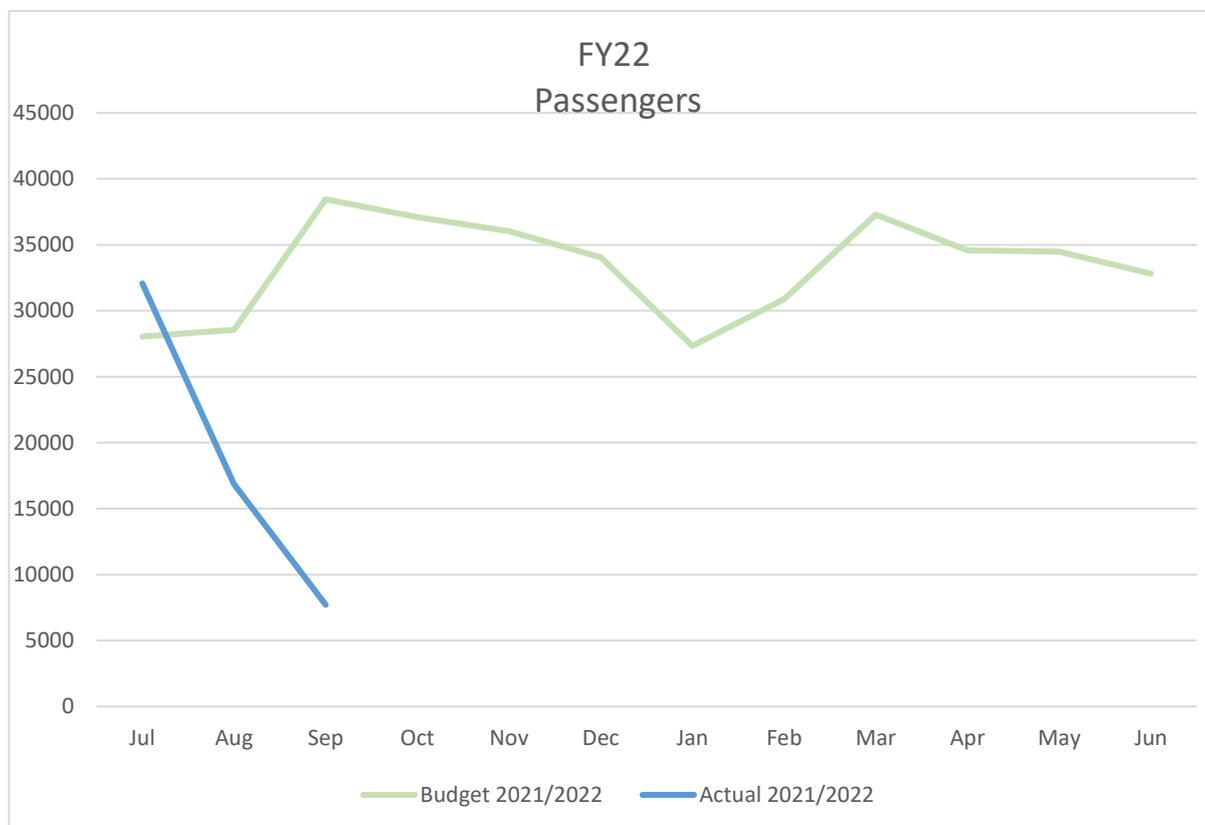
In November 2020, NPDC advised that the tenure of the four current PRIP directors would be extended to ensure continuity in the current environment and create the ability to rotate two directors every 18 months.

Philip Cory-Wright and Chris Myers have had their tenures extended by a further 30 months to re-align with the standard three year term and will be due for reconsideration in June 2023.

To allow an 18 month roll over, the terms of Rachel Farrant and Shelley Kopu were both extended by a further 12 months and will be due for reconsideration in December 2021.

6. Operational summary

The first quarter of the year was dominated by the COVID-19 outbreak. July and the first part of August showed encouraging signs and were over the forecasted projections. However the predictable results from the lockdown have materialised. To the end of September passenger numbers were 56,656 against an original forecast of 95,037.



The uncertainty of the current environment has resulted in a number of reviews. The most recent has a projected total of approx. 265k passengers for FY2022. This is 4% down on FY2021. Air New Zealand do have a full schedule published after December 15th and the load factors do remain high at over 75%. Indications are there will be a solid recovery, however accurate forecasting is a challenge.

The COVID-19 Delta outbreak has resulted in additional safety measures in the terminal. During Level 3 & 4 all operations ceased and the terminal was closed. At Level 2 the terminal has followed the guidelines set out by the Ministry of Transport, Te Manatū Waka. As the country moves into the traffic light system PRIP will be monitoring the changing levels to ensure full compliance. During the period the Airport has been managed in full compliance with the CAA Rule Part 139.

The existing Airport facilities have been well maintained throughout the year and there has been no diversion of regular passenger transport services resulting from Airport operational issues.

7. Financial summary

The landing charges review took effect on July 1st. This increase has resulted in revenue for Q1 being up on the previous year by 23% at \$1,095,209. A strong July also had an impact across the business with the café and car parking revenues having very strong months. However as a result of the COVID-19 lockdown from the 17th of August, the quarterly revenue to September 30th was below forecast of \$1,703,387 by 36%.

Operational expenditure was below budget by 15% and a full summary of the financial performance is outlined in the table below.

<u>Period ended 30 September 2021</u>				
	Period Actual	Period Budget	Previous year actual	Full Year budget
Operating revenue	\$ 1,095,219	\$ 1,703,387	\$ 903,540	\$ 7,105,248
Operating expenditure	\$ 751,694	\$ 886,566	\$ 688,814	\$ 3,391,267
EBITDA	\$ 343,525	\$ 816,821	\$ 214,726	\$ 3,713,981
Depreciation & interest	\$ 642,149	\$ 569,926	\$ 571,283	\$ 2,611,592
Net profit (Loss) before tax	-\$ 298,624	\$ 246,895	-\$ 356,557	\$ 1,102,389
Passenger numbers	56,656	95,039	52,037	399,614

All operating costs associated with the day-to-day management of the Airport have been met from airport revenue. Advances through the loan facility agreement have been made available from NPDC to assist with capital expenditure, with interest payments being fully serviced from Airport revenue.

Cash flow for the Q1 period was positive and provided the schedule remains as currently published, will remain positive for the remainder of FY2022. No drawdowns from the loan facility were required for the period or are forecasted for non-capital funding for the remainder of the year.

in a reduction in trading hours with no activity in the terminal for large periods throughout the day.

The rental car operators have also seen significant reductions. PRIP has offered rental concessions while Auckland has remained closed.

Unfortunately the gift shop, Tatai, informed PRIP that the business would be closing on 30th September. The current operating environment was extremely challenging and the lack of passenger numbers was a contributing factor in this decision. PRIP is working with representatives from Puketapu to see what other opportunities exist and have not leased out the area.

9. Marketing and Promotion

The first quarter has been a quiet period from a marketing perspective with the business focusing on ensuring the correct messaging has been communicated to the public regarding COVID-19 and the subsequent level changes.

On the back of strong demand from Christchurch, CHC Airport has been running a marketing campaign encouraging travel to New Plymouth. The campaign highlights the ease and frequency of air travel as well featuring several key activities.

This year has seen flights from CHC increase and high load factors. PRIP will work closely with the CHC marketing team to ensure the momentum continues, while also monitoring other potential markets.

PRIP is also running marketing campaigns in the regional markets highlighting New Plymouth as a destination.

10. Airways ATC

At the time of writing PRIP have not heard back from the CAA regarding the review of the aeronautical study that was submitted in June. Communications with the CAA have indicated they do agree with the outcome of the study so no surprises from the review are expected.

11. District Plan hearings.

The New Plymouth District Plan hearings continue to progress, with the most recent appearance from PRIP being for the subdivision chapter of the district plan. At this hearing,

PRIP presented planning and legal submissions around protecting the Airport from reverse sensitivity effects created through the subdivision of land near the Airport. PRIP's case built on the position presented at the earlier noise chapter hearing around, not only protecting the Airport's current operations and maintenance, but also its potential future upgrading (i.e. realignment). Supported by a new indicative noise contour (as sought in the noise chapter) a stronger subdivision policy directive and new rule (Non Complying activity status) were recommended by PRIP's experts.

At the hearing, the Hearings Commissioners again queried the limitations of PRIP's original submission and the scope now being sought by PRIP through the hearings. Acknowledging the importance of the Airport to the region and the benefits it delivers, the Commissioners also verbally raised concern about the lack of future proofing / plan provisions for the potential future runway re-alignment, especially in light of pressure on nearby land to convert to residential use. While noting there are limitations in the outcomes now able to be sought through the hearings (i.e. without scope because of the limitations in the original submission), PRIP's experts continue to seek outcomes which will better protect the Airport in lieu of a future runway upgrade being confirmed.

12. Capital projects

a) Airport terminal redevelopment

A small number of minor defects are ongoing and being worked through with the contractor. Apart from those minor issues the terminal contract is completed.

b) Airport entrance improvements

PRIP has decided to review this project. Alternatives to a roading change are being investigated utilizing technology rather than a major infrastructure change. A proof of concept (POC) trial is currently being undertaken which utilizes number plate recognition integrated with existing parking hardware.

c) Wastewater treatment plant

Following on from discussions with Puketapu Hapu and Te Kotahitanga o Te Atiawa Trust in early November it was agreed that the high level options be presented for discussion. This will outline the options available for wastewater treatment at the Airport, looking at current best practice, level of treatment and pros/cons for the Airport site.

The main objective from this next discussion is to understand the iwi perspective of treatment for this site so that a preferred option, under consultation with iwi, can be provided in the

Options Assessment Report due to be issued to TRC by 1 March 2022. Beca are currently preparing the high level options presentation and making arrangements to meet with iwi prior to Christmas, with a date yet to be confirmed.

d) EV charges

EV chargers are scheduled to be installed in the next few months. There will be a mixture of fast and slow charges, with a commercial model being worked through.

e) Solar installation.

PRIP is evaluating the feasibility of installing solar panels on the northern facing portion of the terminal roof. Initial findings are that the terminal usage could be produced via a solar installation with the potential of selling the excess back into the grid. Once all proposals have been received a summary will be presented to the PRIP board for their consideration.

13. Sustainability

Tourism Sustainability Commitment

The Tourism Sustainability Commitment started in 2017 and aims to ensure economic, environmental, and social sustainability becomes a genuine ethical guideline to any tourism industry. The overall aim is to have all tourism businesses in New Zealand committed to operating sustainably by 2025.

PRIP signed up at the start of June 2021, after CE's recommendation. PRIP has been provided with a certificate that we will display in reception. The below logo is also being displayed on our website.



14. Stakeholder relations

NPDC, as the 100% Shareholder, has nominated an advisor who attends the PRIP Board meetings as an observer. The Council's Deputy Chief Executive holds this position and, as well as the Board meeting attendance, meets regularly with the Chief Executive of PRIP to ensure strong communications and alignment between the Council and the Airport company.

PRIP management is also working in close collaboration with the Venture Taranaki Trust and the Chamber of Commerce to promote the district from tourism and economic development perspectives and is a Chamber of Commerce Regional Partner.

PRIP will continue to build upon the strong relationship with Puketapu Hapu that has developed with the Airport over the years and, in particular, with the close involvement during the Airport Terminal Redevelopment project.

PRIP is aware of the potential that future decisions may impact on local Iwi and Hapu and will ensure an appropriate level of consultation at all times. PRIP is also aware of the statutory obligations of the Council and will act at all times in a manner that is consistent with these and also those pursuant to agreements with third parties, including Iwi, Hapu, or other Maori organisations.

15. Strategic outlook

a) Passenger numbers recovery

The original forecast for FY2022 was 400k passengers and this has been revised to 265k. These revised numbers are based on the current published schedule. PRIP is anticipating there will be a strong demand for domestic travel once the schedule is back to normal. There have been encouraging signs there will be a continuation of high load factors. Air New Zealand has shown they will add capacity to meet the demand in the past and this may happen again.

The uncertain nature of the industry at this time does make forecasting challenging. Demand is high, that is clear, however schedules are driven by the alert levels and this remains extremely fluid.

b) Car parking

As previously highlighted PRIP has decided to look at opportunities to improve the car parking experience through the use of technology.

Once demand has returned an evaluation of available parking numbers will need to be done to provide an accurate assessment of parking requirements moving forward.

c) Leasing/Property

PRIP has a number of clients who are looking to lease hangar space, lease land and build, or extend current land leases. PRIP is currently in the process of completing a masterplan which will detail the long term strategy with regards to property. The past 18 months have highlighted the importance of ensuring all airports are maximising their non-aeronautical revenue opportunities going forward and PRIP is no exception.