



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Report for the nine months ended
31 March 2021

Philip Cory-Wright	Chair
David Scott	Chief Executive

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1. Introduction

This report for the period ended 31 March 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 (CCO) 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 prime 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. Executive summary

The impacts of the COVID-19 pandemic are continuing to affect Airport operations and passenger numbers. The industry has been impacted across the board and PRIP is no exception. By carefully managing costs PRIP has worked hard to limit the impact as much as possible. A recovery to pre-COVID-19 numbers is still difficult to predict with most people hopeful for a date somewhere towards the end of the 2022/23 financial year.

Despite this the overall passenger numbers still continue to be better than expected which is encouraging. This has a flow on effect to all of the key metrics and while the impact of another lockdown could be significant, we are seeing steady growth which should stabilise as the vaccine roll-out starts to take effect.

The search for a new Chief Executive was conducted with an appointment made at the end of March. The new Chief Executive started in the role May 1st.

Other capital works that have been carried out include the completion of the new car parking area adjacent to the terminal along with the taxi and shuttle stand. The covered walkways are also completed.

The aeronautical study in relation to Airways proposal to withdrawal their air traffic services at New Plymouth Airport is continuing with the draft report reviewed by PRIP in May before being submitted to the CAA for their determination mid-2021.

The three year landing charges review process continues to progress. The current agreement is due to expire on June 30th with a new charging schedule effective on July 1st. Consultation with Air NZ has progressed satisfactorily with both parties hopeful of a quick resolution.

4. 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 FY2021 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 that 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.

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.

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.

b) Chief Executive Officer

Chief Executive (Wayne Wootton) finished on February 28th and was in an acting role until April 30th. David Scott was appointed as Chief Executive, whom started on May 1st.

6. Operational summary

Due to the ongoing recovery from the worldwide pandemic (COVID-19) and further lockdown measures in Auckland during February and March, airport operations have still been impacted. However, the 31st March 2021 results are ahead of forecast. For the period, passenger numbers were 13% above target at 187,597, 40% down as compared with the same period last year. Remembering level 4 restrictions started to impact air travel at the end of March 2020.

The impact on revenue is as expected with the lower passenger numbers at \$3,084,192, 29% below the same period last year, 9% above our forecast.

Operational costs for the year to date are 4% above forecast. This is mainly due to professional fees being paid to consultants assisting PRIP with Airways related issues and landing charges negotiations.

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.

The additional safety measures in the terminal that were introduced as a result of COVID-19 have continued during the first half of FY2021 and Alert Level 1 and 2 guidelines were followed mid-term. This has continued through to the end of March and are expected to remain in place for the foreseeable future. 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 nine month period and there has been no diversion of regular passenger transport services resulting from Airport operations.

Construction works in the Airport precinct for a new car parking area and taxi / shuttle bus zone and internal roading improvements were all completed during the period, along with the completion of the covered walk way.

Projects ongoing as at the end of the period include upgrades to airside adjacent the apron in the form of fencing.

The table below summarises the overall performance for the first nine months of FY2021 ended 31 March 2021.

<u>Period ended 31 March 2021</u>				
	Period Actual	Period Budget	Previous year actual	Full year Budget
Operating revenue	\$ 3,084,192	\$ 2,827,602	\$ 4,290,383	\$ 3,866,611
Operating expenditure	\$ 2,173,877	\$ 2,081,925	\$ 2,179,402	\$ 2,777,329
EBITDA	\$ 910,315	\$ 745,677	\$ 2,110,981	\$ 1,089,282
Depreciation & interest	\$ 1,550,907	\$ 2,205,000	\$ 1,199,203	\$ 2,940,000
Net profit (Loss) before tax	-\$ 640,592	-\$ 1,459,323	\$ 911,778	-\$ 1,850,718
Passenger numbers	187,597	164,214	311,075	228,529

7. Airport terminal tenants

The decline in passenger numbers has had a direct impact on our operators both inside the terminal and outside. The decrease in expected foot traffic has had an obvious negative effect on the turnovers for the operators. Therefore PRIP made the decision to offer business assistance where appropriate.

PRIP has looked at each business individually and entered into agreements tailored to each business. These agreements included rental relief, lowering of minimal annual guarantees (MAGs) and asset purchases and with lease backs. The effects of the pandemic have been significant for our operators and PRIP will continue to work alongside those businesses to provide assistance where we can.

8. Marketing and Promotion

Following the success last year with award nominations, the new terminal was shortlisted for the Western Architectural award sponsored by the New Zealand Institute of Architects. The event was held on 14 May 2021 and we successful in picking up an award in the Public Architecture category.

Beca Consultants will also be submitting the project for the further awards during 2021:

- ENVI Awards 2021 (Engineering NZ)
- Property Council Awards
- ACE Awards (Association of consulting and engineering)

Management supported Taranaki Pride Week in April this year by working in collaboration with local artist, Shannon Novak. Introduced was a rainbow decal on the floor running alongside the baggage reclaim belt.

9. Airways ATC Withdrawal

An aeronautical study has been undertaken by consultants To70 as a result of a proposal by Airways New Zealand to cease air traffic control (ATC) services at seven regional airports, including New Plymouth.

In summary the outcome of the study is:

The withdrawal of the tower service is not recommended at this time. In the future, the implementation of GNSS based procedures and improved ADS-B surveillance coverage and compliance would provide an opportunity to look at a remote tower option.

Management has reviewed the draft report and, in conjunction with Airways, has given feedback to To70 who will update the draft to make the necessary changes. The next stage is for the aeronautical study to be submitted to the Civil Aviation Authority (CAA) for their analysis and final determination. In the meantime, Airways have stated that the current levels of service will be maintained at New Plymouth, including the manning of the control tower.

At the onset of Airways first announcing back in April 2020 of their proposal to withdraw ATC services, management was of the belief that a new way of providing the service could well be the way forward and that, considering the requirement for the service provision forms part of the Airport's operating procedures under CAA Rule Part 139, it is debatable whether the cost of the service should actually be funded by the Airport and recharged back to the Airport users. There is a proviso in the current landing charge review consultation process that would cover the introduction of an ATC service charge at any time during the pricing reset period.

It may also be the case that, given a substantial base, another ATC provider may well be able to establish in New Zealand as a competitor to Airways.

10. Landing Charges Review

Currently PRIP is on a three year cycle of landing charge reviews with the next determination due to be effective from 1 July 2021. As part of the process and for compliance purposes, PRIP is required to consult with the Airport company's substantial commercial airline customers which, on this occasion, will only be Air New Zealand as Jetstar ceased regional operations at New Plymouth in late 2019.

It is envisaged that the consultation process will be completed in time for the revised landing charge to be effective from 1 July 2021.

11. Capital projects

a) Airport terminal redevelopment

In accordance with the business case for the redevelopment of the terminal, PRIP has completed a post project review in conjunction with the Beca consultants, contractor Clelands and Puketapu Hapu.

Defects are ongoing and being worked through with the contractor. Main issue to be resolved remains the bathroom sinks.

b) Car parking and taxi and shuttle zone

Works on the internal roading improvements and car park construction have been completed and the new taxi and shuttle bus zone is fully operational. The Airport perimeter road is now two-way which is alleviating any unnecessary traffic movements in front of the new terminal, providing a much safer area for pedestrians.

As an aside, there has been interest in the premium parking area with several spaces already being taken up for an annual charge of between \$1,200 and \$1,500 – in the meantime these customers are using the main public car park.

c) Airport entrance improvements

Beca, who have previously undertaken some preliminary work, are updating their proposal which will be presented to PRIP when available. The intention is to consult with various car parking control suppliers and have a preferred supplier on board before finalising the design and tendering for the main construction works. This will allow a better and more streamlined

design process for the construction works as the supplier will be able to advise on locations of control equipment and barriers, based on experience.

d) Wastewater treatment plant

Beca have previously been involved in the initial works for the replacement of the existing waste water treatment plant and have been in consultation with Puketapu Hapu and the Taranaki Regional Council.

New Plymouth Airport does not have a consent for discharge of waste water and, therefore, Beca applied to the Regional Council in early 2019 on behalf of PRIP and a temporary consent was granted until June 2021. Management has requested Beca to apply once more to the Regional Council for an extension of the temporary consent.

It is hoped that consultation will get underway over the next few months and that a location for the new waste water treatment plant can be agreed and designed carried out to allow construction later this year.

e) Landside walkway canopies

The glazing for the walkway canopies has now been installed and this project is complete. The Airport are independently sourcing a copy of the Terminal manifestation in white to go along the vertical glass panels to maintain the design aesthetic and be compliant with H&S regulations with respect to glass.

f) Fencing installation airside

Approval was given for additional capital funding to install aluminium fencing to prevent passengers crossing the concrete mounds when moving between the terminal and aircraft on the apron. This was seen as a more cost effective option that making alterations to the concrete mounds that were constructed as a cultural feature.

PRIP has been engaging directly with Sharp Sheet Metal of New Plymouth on the design and installation process.

12. Aviation Security

Management has recently been contacted by Aviation Security (AvSec) and advised that their scoping exercise, completed in April 2020, has been updated and presented once more to the Minister of Transport. AvSec has allocated \$400k to complete the works at New Plymouth Airport based on information supplied by Beca and management last year.

Whilst there are no immediate plans to introduce regional screening, PRIP needs to be aware that it is a possibility that the project will need to be included as a future CAPEX item. The terminal was designed with security future proofing in mind. This will help with the transition to a security designated airport.

13. Sustainability

PRIP is now registered with the Airports Council International (ACI) and has a draft sustainability policy in place with the three key areas being:

Social

The Social Sustainability goal is to continue to educate and support the local Taranaki community by:

- a commitment to use social conscious suppliers where possible
- educating staff and terminal tenants about becoming sustainable
- supporting local NPDC and community initiatives

Environment

The Environmental Sustainability goal is to continue to monitor and minimise environmental obligations by:

- a commitment to reach Airport Carbon Accreditation Level 2 in 2021
- a commitment to use environmentally conscious suppliers where possible
- continuing to develop a Wildlife Hazard Management Plan in order to work towards a predator free Taranaki

Financial

The Financial Sustainability goal is to build economic growth with revenue generated by:

- striving to be financially self-sustaining post COVID-19
- supporting local and regional businesses and partnerships

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. New Plymouth Partners

The official launch of NP Partners took place in October and PRIP is proud to be one of the foundation partners, being committed to investing in the future of the district through a strategic and managed programme with the New Plymouth District Council.

PRIP will allocate annual funding to the scheme which, with the combined skills, experience and networks of the partners, will create opportunities and source investment to build a better city, district and community.

16. Strategic outlook

a) Passenger numbers recovery

The first nine months of FY2021 has shown good recovery as compared to budget with passenger numbers to 31 March 31st 2021 at 187,597 – 13% higher than expected. This is despite the temporary lockdown in Auckland February and March.

Trans-Tasman flights are returned in April. This is anticipated to provide an additional bump to the domestic passenger numbers.

Movements (a take-off or landing) are currently averaging around 19 per day as of June 1st. =. Load factors are strong and we are expecting to see capacity to grow. We are remaining cautiously optimistic with regard to passenger numbers recovery.

b) Car parking

Car parking is the biggest portion of the Airport's non-aeronautical revenue and the ability to create sufficient parking spaces and set appropriate charges are critical elements.

As advised, and in line with the original business case for the terminal redevelopment, a further review of car parking charges will be carried out and a report will be submitted to the PRIP Board for approval and implementation mid-2021.

This will also take into consideration the ability to offer a premium parking option in the new car parking area adjacent the terminal at a lump sum annual cost, mainly aimed at the corporate market.

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