



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Annual report for the year ended
30 June 2021

Philip Cory-Wright	Chair
David Scott	Chief Executive

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1. Cover note.

The majority of this report was written prior to the announcement of Level 4 lockdown on August 18th. The report was written to reflect PRIP business at year end FY2021.

The August lockdown has had, and will continue to have, a significant impact on the forecasts for FY2022. As of the day of writing this cover note (26th August), no flights have operated into, or out of NPL for five days, with no further flights scheduled for another five.

PRIP is currently in the process of re-forecasting the passenger numbers for FY2022 as well as re-forecasting revenue and the potential impact. In particular, what the need for borrowing from the current loan facility for operational purposes might be.

PRIP had not forecasted drawdowns for non-capital related uses in FY2022 and a re-forecast will be required to see if this has changed.

An update will be given at the council meeting on September 15th.

2. Introduction

This report for the year ended 30 June 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.

3. 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 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.

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. Executive summary

The last quarter of FY2021 saw an improvement in passenger numbers that went beyond initial projections. Domestic travel continued to recover strongly, as New Zealanders took the opportunity to travel within the country while the international borders remain closed. Christchurch in particular proved to be a strong market for New Plymouth customers with Air New Zealand responding by adding additional capacity.

The strong passenger numbers also contributed to the other revenue streams such as car parking and cafe receipts. This led to a better than expected financial result for the period. Air New Zealand has responded to the strong demand for travel by adding capacity across the network which has resulted in a re-forecast of our FY2022 passenger numbers.

PRIP and Air New Zealand agreed to a new set of lending charges that came into effect on July 1, 2021. The new rates are effective for the next three years.

All terminal related capital projects have been completed. With the airside fencing project also finished, this has improved the overall customer experience. All other capital projects scheduled for FY2022 remain on track.

The unique design of Te Hono, continues to gain attention with numerous award nominations both domestically and internationally.

6. 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.

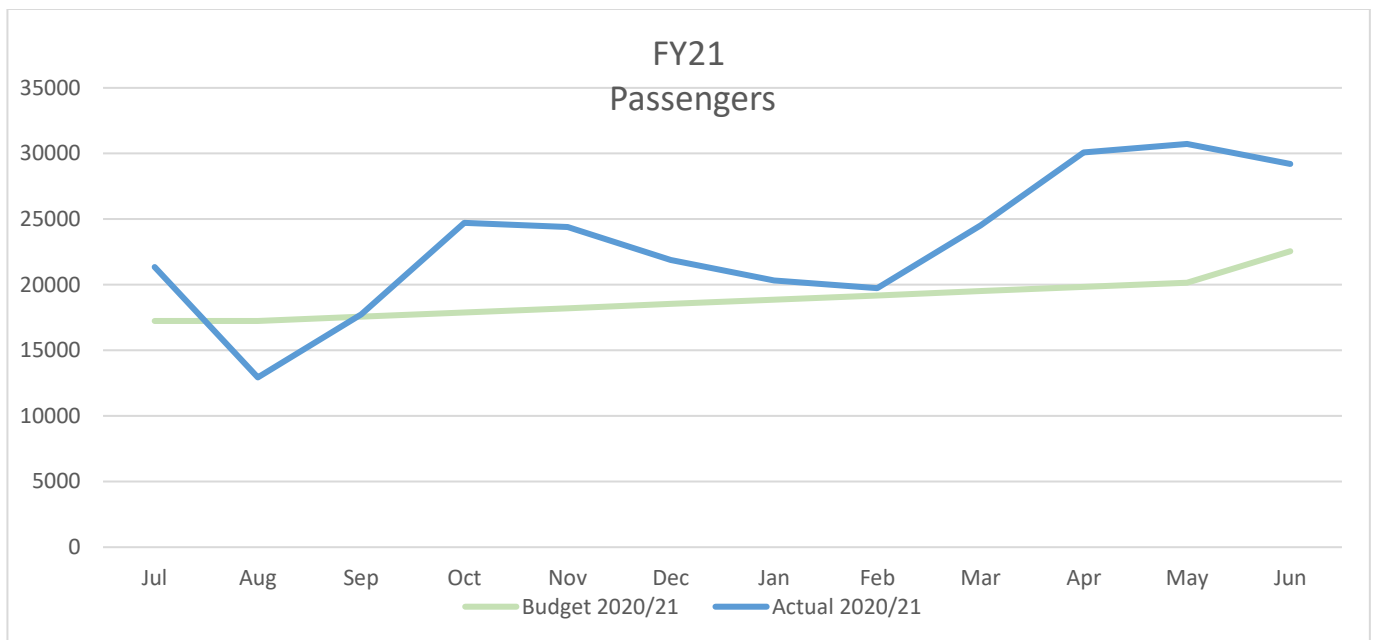
To allow an 18 month roll over, the terms of Rachel Farrant and Shelley Kopu were both extended by a further 12 months and will be due for reconsideration in December 2021.

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, commencing on May 1st 2021.

7. Operational summary

The last quarter of the year showed strong demand for domestic travel. The FY2021 total passengers number was 277,610, 22% above forecast. The domestic market in New Zealand has performed far beyond expectations and New Plymouth has benefited significantly from this.



As a result of the strong demand Air New Zealand had planned to add capacity. Approx. 15,000 seats were to be added in September, October, November, with indications this would continue throughout the summer months. With the advent of COVID-19 Level 4 Lockdowns a reforecast will be required.

The steady growth in passenger numbers resulted in a better than expected financial result. Total revenues for the year were \$4,524,341, 17% over our forecast, a net profit before tax of -\$ 1,059,869, 43% over forecast.

Operational expenditure was over budget by \$426,459. This was the result of unplanned non-capital maintenance works to the runway, professional fees as well as some items being under budgeted.

The following summarises the overall performance for FY2021 ended 30 June 2021.

<u>Period ended 30 June 2021</u>			
	Full year Budget	Actual	Previous year actual
Operating revenue	\$ 3,866,611	\$ 4,524,341	\$ 6,146,382
Operating expenditure	\$ 2,777,329	\$ 3,203,788	\$ 3,543,931
EBITDA	\$ 1,089,282	\$ 1,320,553	\$ 2,602,451
Depreciation & interest	\$ 2,940,000	\$ 2,380,422	\$ 2,384,006
Net profit (Loss) before tax	-\$ 1,850,718	-\$ 1,059,869	\$ 218,445
Passenger numbers	228,529	277,610	311,075

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 the financial year 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, including the addition of David Scott, CEO as a senior person.

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 operations.

8. Airport terminal tenants

The steady growth of passenger numbers has had a positive impact for our main retail operator, while the remaining operators remain steady. PRIP will continue to work with those businesses to see what opportunities exist to improve growth.

9. Marketing and Promotion

The New Plymouth Airport Terminal, Te Hono has been nominated by the prestigious Prix Versailles organisation, for an architecture and design award in the new airport category.

Each year six airports from around the world are selected on the basis that they *'pay tribute to the qualities of innovation, creativity, reflection of local, natural and cultural heritage and ecological efficiency as well as the values of social interaction and participation which the United Nations holds in high regard'*. Below is a list of the other nominees:

- Berlin Brandenburg Airport Willy Brant. – Berlin, Germany
- Athens International Airport, South Wing – Athens, Greece
- Hazrat Sultan International Airport – Turkistan, Kazakhstan
- Clark International Airport – Pampanga, Philippines
- LaGuardia Airport, Terminal B – New York, NY, United States.

This nomination is a significant achievement which will create increased interest in the Taranaki region from all over the world. There have been articles in The Guardian newspaper in the UK and more publicity is expected as the award ceremony in Paris draws closer. The awards are scheduled for late November 2021.

PRIP would like to acknowledge all of the relevant parties involved in the creation of Te Hono, particularly the contribution of the Puketapu Hapu. The recognition is no doubt due to the cultural significance of Te Hono and PRIP is grateful for the collaboration and expertise from Puketapu.

10. Airways ATC

In May 2020, Airways announced its intention to withdraw Air Traffic Services from New Plymouth Airport, and six other regional airports. Following this announcement, New Plymouth Airport undertook an Aeronautical Study process, as required by the CAA when a significant change to operations is likely to occur at an aerodrome.

The aeronautical study concluded that the level of Air Traffic Service at New Plymouth Airport could be reduced without compromising aviation safety. However consideration of:

- The traffic forecast;
- The local operator concerns tabled during the risk assessment workshops;
- The strong rebound in New Zealand domestic movement numbers; and
- The inherent complexity of the airspace while both RNP and legacy procedures are in place;

it is considered that a full tower control service **would** be required in the short to medium term, therefore it was recommended that the existing ATC service should remain in place.

The aeronautical study was submitted to the CAA on 28 June 2021. Since that point the CAA have been undertaking their own review of the aeronautical study and the process by which it was generated, and have made contact with all the stakeholders to gauge their positions on the quality of the argument the study establishes, and the conclusions and recommendations contained within the study. In addition, the CAA have been reviewing the study and have submitted a number of clarifying questions to the Airport.

The conclusion of the CAA's process will be the publication of a determination by the Director of the CAA. As per Civil Aviation Rule 139.113, "a holder of an aerodrome operator certificate shall ensure the provision of an aerodrome flight information service or air traffic control service or both at their aerodrome when so required by the Director in the interests of safety." Airways have previously stated that they would provide services in accordance with the determination of the CAA, following an aeronautical study.

An indicative timeframe for the completion of the CAA process is 3 – 6 months, so it is expected that a CAA determination will be released towards the end of 2021.

11. Landing Charges Review

The landing charge review and consultation was completed with Air New Zealand and approved by the board in June. Given the challenges of the past 12 months this was an important process to have completed. Charges have now been set for the next three years effective 1 July 2021.

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

Project is progressing on schedule. Beca are managing the procurement and design process which is on track.

c) 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.

An initial meeting was held with Puketapu and Beca on 22nd June to discuss the project. The meeting was a productive one and discussions are ongoing.

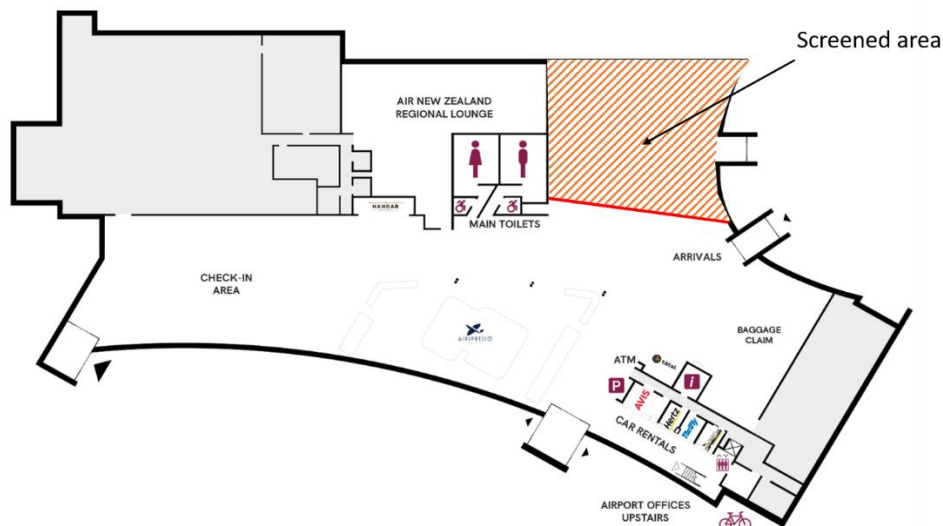
d) Fencing installation airside

The airside fencing has now been completed. This is a major improvement, both from an aesthetic and safety perspective. The passenger flow both to and from the terminal is now much more streamlined and safer and has greatly improved the customer experience.

13. Aviation Security

A representation from Aviation Security (AVSEC) attended the Airport to discuss plans for the introduction of security screening and to provide indicative timeframes for implementation.

AVSEC reviewed the Terminal building against their original plans and were content that the Airport is adequately prepared at this stage, with some minor changes required to AVSEC planning documentation. It is envisaged that the Airport's Departure Area would be segregated from the rest of the Terminal to separate screened passengers from non-screened members of the public:



AVSEC have indicated they are aiming to be on site by July 2022 and have screening established at the Airport by December 2022. They will have a staff of approximately 40 and, rather than utilise previously designated office space in the Terminal, would prefer to occupy the majority of Terminal 2.

14. Sustainability

PRIP has been working towards level two airport carbon accreditation omissions in accordance with the requirements of the Airport Council International (ACI). Level two consists of managing and reducing our carbon footprint.

PRIP mapped out carbon usage using 2018 as our base year and PRIP continues to measure and monitor emissions using the Airport Carbon Emissions Reporting Tool (ACERT).

In addition PRIP is also engaging with Powerco to look at what opportunities exist for alternative energy sources i.e. solar, as well as installing the e-vehicle charging stations in the airport car park.

15. 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.

16. New Plymouth Partners

The official launch of NP Partners took place in October 2020 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.

PRIP donated \$50,000 to NP Partners foundation project, Destination Play, in June 2021.

17. Strategic outlook

a) Passenger numbers recovery

As previously mentioned, the last quarter of FY2021 was positive. Passenger numbers finished the year 21% above the forecast. Prior to the August/September COVID-19 Lockdown PRIP was forecasting domestic numbers to be close to 400,000 in FY2022. Air NZ has increased capacity and load factors remain in the high 80%. These numbers will now need to be revisited.

The Trans-Tasman bubble has not had a material impact during this period. It appears New Zealanders are preferring to holiday domestically while COVID remains active.

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.

The car parking review has not been completed. Once the airport entrance has been completed a full review of the car parking products and pricing structure will be undertaken.