



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Annual report for year ended
30 June 2019

Philip Cory-Wright	Chair
Wayne Wootton	Chief Executive

New Plymouth Airport
192 Airport Drive
New Plymouth 4373
Website: www.nplairport.co.nz

Contents

1. Executive summary.....	3
2. Introduction.....	4
3. Responsibilities	4
4. PRIP establishment	5
5. Operational summary.....	5
6. Terminal redevelopment project	7
7. New terminal tenancies.....	8
8. Stakeholder relations	8
9. Civil Aviation Rule Part 139	9
10. Landing charges	10
11. Rescue Fire Services	10
12. General aviation	11
13. Strategic outlook	11
a. Terminal redevelopment	11
b. Car parking.....	12
c. Route development.....	13
d. Runway extension	13

1. Executive summary

Passenger numbers during the year continued to grow although at a slower rate than in FY2018. The full year saw a record total of 456,766 passengers travelling through the two terminals with the highest ever monthly total of 41,791 recorded in March. This coupled with estimated numbers for visitors, meeters and greeters meant that over 625,000 people used the Airport facilities during the year.

PRIP's second year financial results continued to be sound, reflecting growth in passenger numbers, revenue and profit, albeit there has been some deferral of income as part of the agreement with Air New Zealand over future landing charges. Whilst this resulted in profit being slightly less than budget, FY 2019 EBITDA was still \$360,000 higher than FY2018.

The terminal redevelopment project has progressed very well and local contractor, Clelands Construction, has done an excellent job. The company is now managing numerous sub-contractors on site as the internal fit-out advances. At this stage the Project team are confident that the new terminal will be delivered within the budget of \$28.7m and will be operational at the beginning of 2020.

During the year the Airport introduced additional safety and security measures with an increased operational staff presence during the Airport opening hours, allowing for an enhanced public interaction and support. Despite the major redevelopment taking place at the Airport, the existing facilities have remained operational at all times and there has been no diversion of regular passenger transport services resulting from Airport operations.

Changes have taken place to the Service Level Agreement (SLA) with NPDC during the year and it is envisaged that, once the new terminal is fully operational, the SLA will be further reduced to cover just information technology support focussing on computers, software and telecommunications.

All operating costs associated with the day to day operations of the Airport have been met from Airport revenue. Loans have been made available from NPDC to assist with capital expenditure for the new terminal, with interest payments being fully serviced from Airport income.

2. Introduction

This end of year report, covering the financial year 2019, 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 respectively.

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 (CCTO) 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 NPDC.

PRIP's prime purpose is to operate New Plymouth 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 lease from the New Plymouth District Council.

PRIP's prime objective is to provide Airport facilities to serve the needs of the New Plymouth District and the wider Taranaki region. The Airport Company delivers this objective by:

- operating the Airport in full compliance with the regulations set down by the New Zealand Civil Aviation Authority
- ensuring that the business is run on a sustainable commercial basis
- optimising the use of its assets
- generating a reasonable 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, it leases terminal space, buildings 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.

4. PRIP establishment

PRIP has now completed its second year of trading and is now operating substantially as a standalone council-controlled organisation with a good working relationship with NPDC.

As previously advised and following recommendations by Audit New Zealand after the Company's first year audit, PRIP transferred its accounting services during the financial year to a new provider, reducing the scope of the Service Level Agreement (SLA) with NPDC.

Further changes to the SLA have also taken place and the agreement now covers two elements, the provision of information technology support and public relations, which has been of particular importance during the terminal construction project. Once the Airport operations transfer to the new building, it is envisaged that the Service Level Agreement will be reduced further to cover just information technology support focussing on computers, software and telecommunications.

In addition, NPDC owns the Aerodrome Operator Certificate which PRIP manages on behalf of Council through an agreement with the New Zealand Civil Aviation Authority.

5. Operational summary

PRIP achieved a key milestone in its new terminal development in reaching agreement with its major customer, Air New Zealand for its future landing charges. As a result of this negotiation, the recovery of some \$363,000 of income from the accelerated depreciation of the existing terminal (which is going to be demolished) was deferred until the FY2020 year. This caused income to be slightly below the original budget, albeit passenger numbers were higher than forecast so the shortfall was only \$295,000. Overall, EBITDA increased by \$360,000 over FY2018.

Passenger numbers during the year continued to grow although at a slower rate than in FY2018. The full year saw a record total of 456,766 passengers travelling through the two terminals with the highest ever monthly total of 41,791 recorded in March. This coupled with estimated numbers for visitors, meeters and greeters meant that over 625,000 people used the Airport facilities during the year.

The table below summarises the full year performance.

<u>Period ended 30 June 2019</u>	Budget full year FY19	Budget period ended 30 Jun 19	Actual period ended 30 Jun 19	Previous year period ended 30 Jun 18
Operating revenue	\$ 5,198,774	\$ 5,198,774	\$ 4,982,367	\$ 3,965,000
Operating expenditure	\$ 2,840,200	\$ 2,840,200	\$ 2,877,842	\$ 2,176,000
EBITDA	\$ 2,358,574	\$ 2,358,574	\$ 2,104,525	\$ 1,789,000
Depreciation & amortisation	\$ 1,492,018	\$ 1,492,018	\$ 1,361,119	\$ 1,247,000
Interest expense	\$ 538,478	\$ 538,478	\$ 485,721	\$ 260,000
Surplus before tax adjustments	\$ 91,862	\$ 91,862	\$ 257,684	\$ 281,000
Passenger numbers	455,300	455,300	456,766	436,912
Terminal business case	442,407	442,407	456,766	

The FY2019 passenger numbers were above forecast and, despite some monthly fluctuations, there was an overall 4.5% increase in numbers as compared to FY2018, with the percentage increase continuing to be higher than the average growth figure as used in the business case for the Airport terminal redevelopment project. Using base data set at FY2017, the terminal redevelopment business case assumed a compounding annual growth rate of 2.5% and forecast passenger numbers for FY2019 at 442,407. FY2019 actual numbers were over 14,000 above the business case assumption.

Air New Zealand continued to perform well and delivered a 6.4% increase in passenger numbers, however, with Jetstar cutting their services to one per day during the off season, their numbers saw a decrease of 6.3% for the 12 months.

The third tier operator, Originair, had to curtail their direct air services between New Plymouth, Nelson and Napier in late December 2018 due to issues with their air operator certificate. The latest update is that the airline is proposing to resume the service in October 2019.

Air New Zealand recently announced a reduction in regional services throughout the country, and the estimated forecast at New Plymouth for FY2020 is a decline in passenger numbers of circa 3.3%. However, with this being the worst case scenario and with Jetstar due to resume two services to Auckland per day again later in the year, the reduction in numbers could well be lower.

During the year the Airport introduced additional safety and security measures with an increased operational staff presence during the Airport opening hours, allowing for an enhanced public interaction and support. Despite the major redevelopment taking place at

the Airport, the existing facilities have remained operational at all times and there has been no diversion of regular passenger transport services resulting from Airport operations.

All operating costs associated with the day to day operations of the Airport have been met from Airport revenue. Loans have been made available from NPDC to assist with capital expenditure for the new terminal, with interest payments being fully serviced from Airport income. It is intended to commence capital repayments once the terminal is fully operational and in accordance with the loan facility agreement.

6. Terminal redevelopment project

The start of the overall redevelopment was delayed by approximately six months due to design changes, however, the new terminal construction has seen good progress during the year with local contractor, Clelands, performing very well. The contractor has done an excellent job and is now managing numerous sub-contractors on site as the internal fit-out progresses.

At this stage the Project team are confident that the new terminal will be delivered within the budget of \$28.7m, to quality and scope and on programme to be operational at the beginning of 2020.

Communications have been an important factor during the year and the project team have worked with the Council on a series of communication bulletins that have been released through the press and social media giving details of project progress.

An issue at the forefront of community concern during the year was the preservation of the Kingsford Smith mural by Don Driver, currently on display in the existing terminal. Following extensive work on the matter, the Project team finalised an option to create a high-quality, resin-based replica of the mural which will become a feature in the Airport precinct as part of the redevelopment plans. The full-scale model will be designed and constructed to withstand the weather conditions and will be displayed in a suitable outside location, where Airport travellers, locals and visitors will be able to view it in natural light as the artist originally intended. The original artwork will undergo conservation work before it goes to its permanent home, which is likely to be Puke Ariki.

During the year Air New Zealand worked in conjunction with the Airport and NPDC to run a painting competition for local schools with the backing of the Ministry of Education. The competition was a big success and the winning entries have been displayed on the site hoarding since last December and will be there until the hoarding is removed when the new terminal becomes operational.

7. New terminal tenancies

During the year management teamed up with Wellington based retail consultant, First Retail, to work through the process of acquiring tenants in the new terminal for hospitality (food and beverage) and retail. The new terminal has a much larger café area at 300m², one retail space in the main concourse and a smaller retail area in the arrivals hall.

National advertising produced some good responses, especially for food and beverage, however, the bid by the incumbent, Airpresso, convincingly won the contract to continue providing the Airport's cafe offering.

Both of the retail areas have now been taken. Collab Hospitality are to occupy the area in the main concourse selling a mixture of convenience goods and 'grab and go' food with Puketapu Hapu taking the baggage reclaim area, proposing to sell cultural items and local produce.

As part of the new terminal retail and following negotiations with several New Plymouth based vehicle dealerships, there will also be a vehicle displayed in the main concourse area. This will not be limited to one particular brand but will be used as a showcase for several companies to display their new vehicles on a rotational basis.

8. Stakeholder relations

PRIP works collaboratively with the airlines, NPDC, Venture Taranaki, the Chamber of Commerce and other local key stakeholders with the aim to have a relative approach towards the region's common strategic goals.

PRIP has continued the close working relationship with the Puketapu Hapu, who are mana whenua of the land the Airport is sited on. Regular meetings have been held with the Hapu and the project team to update on project progress and to ensure that the cultural theme is maintained throughout the terminal construction. The main focus for the Hapu during the year has been their involvement with the creation, manufacture and installation of the new terminal's internal art strategy.

Consultation with the Hapu is also underway on proposals by PRIP to install a new effluent field to replace the existing treatment plant that was installed when the Airport was first constructed in the late 1960's. This is part of the consenting process and the intention is to have the new system operational during the next financial year.

The ongoing relationship with Puketapu Hapu will be focussed on proposed runway extension options and other major works within the Airport confines. Initial meetings have already been held to explain the compliance requirements and commercial reasons for extending the runway and further talks will be programmed.

Furthermore, the PRIP Board have initiated catch-up sessions between Directors and representatives from Puketapu Hapu which are held at roughly six monthly intervals and timed to coincide with Board meetings in New Plymouth. These meetings focus on a general updates of both the governance and operational sides of the Airport business and are aimed at promoting a closer relationship between both parties.

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

Management are in regular contact with the two major commercial airlines currently servicing the Airport, industry colleagues through Airport forums and key local stakeholders to maximise passenger growth and economic performance. The Chief Executive is also a Director on the New Zealand Airports Board and has insight into the main hub airports that distribute travellers to the regions

9. Civil Aviation Rule Part 139

NPDC is currently the holder of the Aerodrome Operator Certificate (AOC) and, under an agreement between the Civil Aviation Authority (CAA), NPDC and PRIP, the Chief Executive of PRIP acts on behalf of NPDC as the designated Chief Executive named on the Certificate to ensure full legislative compliance with the CAA Rule Part 139.

PRIP manages the Airport on behalf of the AOC holder and the Company was successful in obtaining Safety Management accreditation, following an extensive two day safety audit by the CAA in August 2018. New Plymouth Airport was one of the first regional airports in the country to achieve this accreditation and the process is being used as an exemplar by the CAA for other regional airports.

'Safety is Everyone's Business' is a heavily embedded philosophy within the New Plymouth Airport's Safety Management System. The Airport is driving this culture internally through the day-to-day operations and externally to the rest of the Airport community through Airport User Group and PCBU meetings.

Further, the current five year Aerodrome Operator Certificate expires on 30 September 2019 and, in accordance with the CAA regulations, an application to renew the certificate was lodged with the Agency at the end of FY2019 following an extensive management review of the Airport Exposition, a set of five manuals governing the Airport operations.

As well as the updated Airport Exposition, the three Senior Persons currently named on the AOC (Chief Executive, Operations Manager and Safety Manager) will also be interviewed for renewal of their Senior Person status during the audit, which has been scheduled for the 3 and 4 of September 2019.

10. Landing charges

New Plymouth Airport is able to set aeronautical charges for identified airport activities under the Airport Authorities Act 1996, however, prior to setting charges the Airport is required to consult with its substantial customers:

- Air New Zealand Ltd
- Jetstar Airways Pty

During the year the Airport has been in consultation with both airlines and, following initial and final pricing proposals, has issued the final pricing determination and set new landing charges. The new fees came into effect from 1 July 2018 but, as the final pricing was not concluded until January 2019, both airlines paid a wash-up of backdated charges over last quarter of the year.

Council will be aware that an increase in landing charges was highlighted as a major contributor for the Airport terminal redevelopment business case. Landing fees, together with car parking charges were identified and adopted as revenue sources that were paramount to the Airport being able to sustainably fund the redevelopment without the need for ratepayer subsidy.

The cost of the non-aeronautical elements of the project are to be recovered from car parking and Airport tenant revenue.

11. Rescue Fire Services

During the year a new Rescue Fire Service commenced at the Airport, operated on contract by Air Services Taranaki Ltd. The new service has been upgraded from Category 3 to a Category 5 operation, as required by the CAA, and is based on the number and size of aircraft that operate at the Airport. In addition to a second, larger fire appliance, extra staffing is required to manage the service, including a dedicated Chief Fire Officer.

The new contract also includes the fire service crew assisting with Airport operations including security, car parking and wildlife management. The fire service staff also now have access to

the Airport CCTV system and the Airport's Safety Management System's software platform for reporting purposes.

At \$840,000, the annual cost of the service is double the previous operation but the Airport is now fully compliant and the cost is recovered through aeronautical revenue, levied as part of the landing charges to the aircraft operators.

As part of the change to the upgraded service, the Airport purchased what used to be the original Airport fire station adjacent to the air traffic control tower. With minor modifications and a refurbishment, the old building has been transformed from its most recent use as a helicopter hangar, to house the rescue fire team, two fire appliances, utility vehicle and all the ancillary fire-fighting equipment.

12. General aviation

During the year the Airport was approached by a flight training school who was interested in utilising New Plymouth Airport as either a satellite operation to their current business or as a permanent relocated base from their existing site.

Further developments have taken place and the company is scheduled to sign an MoU in early FY2020 leading to an agreement with an overseas airline to train pilots up to commercial level. Whilst negotiations are still ongoing, this could well be a good business opportunity for the Airport and may see a renewed interest in general aviation for the region.

General aviation landing charges came into effect at New Plymouth Airport in 2007 and were set at a level which has not changed since the initial per landing fee of \$5.75 (inclusive of gst) was introduced. A complete overhaul of general aviation charging has taken place during the year and a new pricing structure will be introduced at the beginning of FY2020.

13. Strategic outlook

a. Terminal redevelopment

The main focus for PRIP for the forthcoming year will be the completion and successful delivery of the new Airport terminal. The project team, under the direction of the PRIP Chief Executive, will continue to closely monitor all aspects of the build and at this stage the team is confident that targets will be met.

During the construction of the new terminal the Airport has also taken the opportunity to upgrade existing underground services, some of which date back to when the Airport was first constructed in the 1960s. This replacement had been budgeted and programmed over the next couple of years but it was decided to bring the work forward and carry it out during the main build to minimise disruption for the Airport user and to take advantage of reduced construction costs with contractors already established on site. Likewise, work has also been undertaken on the existing car park layout with new signage and alterations to the entrance and exit machines as well as Airport roading.

Consultation with Puketapu Hapu has commenced regarding the ceremonial planning for the dawn blessing, karakia and installation of the second Mauri stone once the terminal is ready and prior to becoming operational. Following the blessing, a soft 'go live' is being organised with an official opening planned shortly afterwards.

b. Car parking

Management have been exploring options to increase the number of car parking spaces and a car parking management strategy has been undertaken which considered the layout of the existing car park and various options to either extend or construct new areas for parking. The strategy is taking a more holistic Airport precinct approach and considers the whole customer experience from when entering the gate on Airport Drive. The following design principles have been taken into account:

- Improve customer experience
- Enhance revenue opportunities
- Optimise land use
- Use of technology to connect and deliver

Customer experience is a major factor and an option under consideration includes a reconfiguration of the main entrance and exit off Airport Drive, complete with barrier control. This will negate the requirement for further ticket barriers once inside the Airport confines and will utilise vehicle registration plate recognition technology to improve customer interaction.

With the terminal redevelopment nearing completion it is important that the overall Airport car parking strategy dovetails with the requirements of the new building. Also under review is the separation of public and Airport tenant parking, future car rental requirements, long stay versus short stay opportunities and premium options for the frequent traveller.

As part of the development strategy, a review of the existing taxi and shuttle charging was carried out and an increase in the pick-up charge was implemented in February 2019. All of the companies were consulted and agreed to the increase.

In line with the business case, a further review of car parking and taxi/shuttle charges will be undertaken once the Airport terminal redevelopment is complete and operational.

c. Route development

Third tier operator, Originair, commenced the year continuing its Nelson to New Plymouth direct service and in late September 2018 extended the service to provide a direct link across the north island between New Plymouth and Napier. Originair were utilising the air operator certificate of another third tier airline, however, this airline went into receivership and Originair had to suspend the services in December 2018,

The airline has been unable to re-established services out of New Plymouth due to delays in their own Air Operator Certificate application process and it is now envisaged that flights may resume towards the end of 2019.

Air New Zealand increased their capacity on the New Plymouth to Christchurch sector in late 2018 with an additional return on a Monday and up-gauging the peak service flight at 6:35am from a 50 seat Q300 to a 68 seat ATR. This was further expanded with additional services on Thursdays and Fridays, however, passenger growth, demand and subsequent loadings have not kept up with the increased capacity. Therefore, the airline has cut back to their previous two daily services, with the intention being to review the situation towards the end of 2019.

The airline has also trialled an additional service between New Plymouth and Wellington and this service is now operating three days per week, Monday and Tuesday late morning and Thursday early afternoon.

d. Runway extension

At the current time the main runway 05 – 23 (1,310m long) is the shortest runway in the country that Air New Zealand operate their ATR72 aircraft and, under certain weather conditions, take-off and landing weight restrictions may apply. With the airlines potentially looking at even larger aircraft, requiring a longer take-off and landing length, the need to extend the current sealed runway will become even more critical.

The Airport has engaged consultants to carry out a multi criteria analysis (MCA) on runway extension options and, as part of this process, consultation has commenced with Puketapu Hapu and will extend to other parties in due course. The Airport has applied for assistance with the project through the Government's Provincial Growth Fund and pleasingly the Minister, Hon Shane Jones, announced on 4 September that funding of circa \$60,000 had been approved.

The MCA will look at several runway extension options and a workshop is due to be held early in the next financial year involving Puketapu Hapu, airlines, specialist consultants and other key stakeholders and, following this workshop, one or two options will be recommended for further investigation.

The Airport is keen to pursue all runway extension possibilities as it is vital to consider the long-term sustainability of the facility. This strategic proposal is an important aspect in safeguarding the Airport for the benefit of the Taranaki region.