



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Report for the six months ended
31 December 2020

Philip Cory-Wright	Chair
Wayne Wootton	Acting Chief Executive

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1. Introduction

This report for the period ended 31 December 2020 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.

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 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 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 with passengers numbers and operational financials currently running at approximately 65% of FY2020 numbers.

However, considering the revised FY2021 budget targets, the first half of FY2020 has provided good results with overall Airport revenue 7.5% above budget at \$2m, operating expenditure 3% below budget at \$1.34m and earnings before income tax and depreciation 40% above budget at \$650k.

The number of passengers passing through the Airport was 45% down when compared to the same period last year but, despite the country going through another limited lockdown and cancellations due to weather issues during December, was 15% above forecast for the six months at 123,025.

PRIP is continuing to offer support to the terminal tenants affected by the impacts of COVID-19 with an extension until the end of the calendar year. A review of the situation will be undertaken in January 2021.

The new terminal continues to receive great reviews and the project team were pleased to accept the gold award for the Toitanga category at the 2020 Best Awards from the Designers Institute of New Zealand in November.

Other capital works that have been carried during the six months include a new car park, taxi / shuttle zone, perimeter roading improvements and surfacing of the main runway shoulders, which were all completed by the end of December 2020. Further airside security enhancements and the installation of landside walkway canopies are ongoing.

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

Following an initial six month extension due to COVID-19 through to December 2020, NPDC advised of further extensions to the tenures of the current PRIP Directors and changes to PRIP management are underway following the resignation of both the Chief Executive and Operations Manager.

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 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 following a six month extension due to COVID-19 through the December 2020, the tenure of the four current PRIP directors would be extended to ensure continuity and to 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 and Airport Operations Manager

During this half financial year, both the Chief Executive (Wayne Wootton) and the Airport Operations Manager (Richard Buttimore) tendered their resignations. Richard left PRIP on 5 November 2020 and the operations manager role has since been shared between the Chief Executive and the Safety and Security Manager (Paul Tench).

Wayne Wootton tendered his resignation early December 2020 and will depart as the Chief Executive on 28 February 2021. Recruitment for the Chief Executive role is well under way and has been publicly advertised.

6. Operational summary

Due to the ongoing recovery from the worldwide pandemic (COVID-19) and further lockdown measures during August / September, airport operations have still been impacted, however, the first half of FY2021 has produced results which were ahead of forecast despite further lockdown restrictions from mid-August through to September. For the period, passenger numbers were 15% above target at 123,025 but still 45% down as compared with the same six months last year.

As the majority of Airport revenue is based on passenger throughput it was expected that income would be more or less a similar percentage above budget, however, with the Airport offering support to the terminal tenants, this has had a negative effect and revenue for the period ended at just under \$2m, 7.5% above budget.

Operational costs have continued to kept to a minimum and were effectively managed for the period with the total at \$1.34m, a 3.3% reduction on budget.

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. 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 six 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. Further, a project to surface the main sealed runway shoulders, which had been deferred for two years, was carried out during December.

Projects ongoing as at the end of the period include the installation of landside walkway canopies and upgrades to airside adjacent the apron.

The table below summarises the overall performance for the first six months of FY2021 ended 31 December 2020.

<u>Period ended 31 December 2020</u>				
	Full year Budget	Period Budget	Period Actual	Previous year actual
Operating revenue	\$ 3,866,611	\$ 1,856,015	\$ 1,995,856	\$ 2,989,783
Operating expenditure	\$ 2,777,329	\$ 1,387,950	\$ 1,342,739	\$ 1,488,115
EBITDA	\$ 1,089,282	\$ 468,065	\$ 653,117	\$ 1,501,668
Depreciation & interest	\$ 2,940,000	\$ 1,470,000	\$ 1,025,885	\$ 777,813
Net profit (Loss) before tax	-\$ 1,850,718	-\$ 1,001,935	-\$ 372,768	\$ 723,855
Passenger numbers	228,529	107,148	123,025	224,836

7. Impacts of COVID-19

PRIP has been significantly impacted by the COVID-19 pandemic and has been in regular consultation with Air New Zealand and other regional airports on passenger recovery models based on the latest information available. This has been difficult to accurately forecast as the airline has made frequent adjustments to their schedule to meet demand.

Initially Air New Zealand was forecasting capacity to recover to around 50% of pre COVID-19 levels by the end of FY2021 but, with the country being at Alert Level 1, Air New Zealand gradually introduced more capacity into the network than previously planned. For New Plymouth Airport aircraft movements quickly increased and during the early part of FY2021 stood at around 50% as compared to the same period in FY2020.

However, following Auckland moving back to Alert Level 3 and with the rest of the country at Alert Level 2 from mid-August through to September, the airline reduced capacity to meet demand, with further pressure being put on numbers as social distancing rules on aircraft were reintroduced, effectively limiting passengers to a maximum of 50% of the aircraft's capacity.

As soon as the Alert Levels were lowered back to 1 for the whole of the country from mid-September, Air New Zealand once again ramped up capacity and, overall for the six months ended 31 December 2020, passenger numbers were 15% above forecast but still 45% below the equivalent period in FY2020.

Recent updates from Air New Zealand are suggesting that, assuming the country-wide Alert Level remains at 1, the speed of the recovery will continue and that a return to circa 85% of pre COVID-19 capacity, originally forecast during the latter part of FY2022, could well now be achieved before the end of the FY2021.

8. Airport terminal tenants

COVID-19 has also impacted on businesses that operate within the greater Airport facility and, with Airport terminal tenants being reliant on passenger throughput, their operations have also been slow to recover.

PRIP has continued to work with these tenants and, taking a collaborative approach to retain the operators in the new terminal, has offered support packages to assist during the six month period. This will be reviewed in January 2021.

9. Airways New Zealand

It was advised in the last report that Airways New Zealand had announced they were proposing to withdraw their air traffic services at seven airports as a result of the COVID-19 impact on their revenue and the need to right-size their operation in light of a severely restricted revenue stream.

New Plymouth Airport, in compliance with the Civil Aviation Rule Part 139, is responsible for the provision of air traffic services (ATS) and this is contracted to Airways under a service level agreement. The service is funded by the user (airlines and general aviation) and not by the Airport. Currently the Airport's Exposition states that air traffic control is provided for scheduled operations of aircraft with 30 or more passenger seats.

New Plymouth Airport is currently working with Napier and Gisborne airports on a combined approach to an aeronautical study and, with Airways, will share the overall cost. The study is being conducted by an independent consultant and the report was originally programmed to be completed and submitted to the CAA for their review by the end of 2020. However, some additional approach study work has been added which has delayed matters.

The draft report is now due for review by the airports early 2021 before being submitted to the CAA for their determination mid-2021.

In the meantime, Airways have stated that the current levels of service will be maintained, including the manning of the tower, until the study is finalised and outcomes are known.

10. Old terminal demolition

In June 2020 Taranaki Regional Council (TRC) served notice on the old terminal demolition sub-contractor due to non-compliance with the disposal of the demolition material.

TRC advised PRIP in December that the investigation had been concluded and alleged parties have been charged to appear in New Plymouth District Court in due course. Pleasingly, TRC confirmed through correspondence that PRIP and/or representatives of PRIP and the main contractor for the terminal redevelopment will not be charged.

This now closes the matter for PRIP and the final cost for the work undertaken by PRIP's insurer's legal team has been settled directly by PRIP in accordance with the company's Statutory Liability insurance cover and excess payable.

11. PFOS contamination

It was reported in 2018 that the Environmental Protection Agency (EPA) was investigating airports around the country and carrying out stringent checks as a result of firefighting foam containing traces of PFOS contamination. New Plymouth Airport was inspected by the EPA and both firefighting appliances utilised by the Airport's rescue fire operation were found to be contaminated.

Subsequently a plan to decontaminate the two appliances was put forward and accepted by the EPA. The work was carried out in 2019 and evidence of the disposal by incineration overseas was submitted to the EPA by the consultants who were managing the process in early 2020.

The EPA have now written to PRIP to advise that the agency does not intend to take any further action in relation to this matter and considers it closed, acknowledging the actions taken by PRIP to address the matter.

12. Capital projects

a) Airport terminal redevelopment

The new terminal was successful in reaching the finals of the 2020 Best Awards from the Designers Institute of New Zealand and the project team were very pleased to accept the gold award for the Toitanga category. This category acknowledges the unique lineage and origin of Māori storytelling and artistic expression and celebrates these taonga through a meaningful collaborative process between designers, cultures, clients and the environment.

Group tours are still visiting the new building and, following discussions with Puketapu Hapu, work is underway to develop explanations of the cultural artwork throughout the terminal.

The new terminal is also attracting opportunities for different installs and displays from various local organisations, one of which is Pride Taranaki who are interested in a joint promotion with the Airport for the 2021 Pride Festival event.

In accordance with the business case for the redevelopment of the terminal, PRIP is intending to carry out a post project review in conjunction with the Beca consultants, contractor Clelands and Puketapu Hapu, which is scheduled to commence in early 2021.

b) Car parking

Work commenced on a project to construct a new car park following the demolition of the old terminal and this construction work was completed late December. There have been delays in the supply of barrier equipment and it is envisaged that the car park will be fully operational in March 2021.

The entrance to the car park will also act as card controlled security access for delivery vehicles to the new terminal service area.

As part of the works an airside viewing area has been created to the east of the new building which will enhance the customer experience by providing non-passengers the ability to see the airside view of the terminal building and a very close view of family and friends as they arrive or leave – something unique for regional airports.

c) Internal roading improvements

Works to improve the Airport precinct internal roading layout have also been completed. The perimeter road has been changed to two-way for its whole length, avoiding the need for service vehicles and returning rental cars to use the new road in front of the terminal. Now that any unnecessary traffic movements in front of the new terminal have been alleviated, a much safer area for pedestrians in the vicinity of the terminal forecourt has been created.

As part of the works a new access has been formed to the eastern side of the public car park, changes to the entrance and exit to the car rentals area have been carried out and a much needed realignment where the perimeter road meets Airport Drive has been constructed.

d) Taxi and shuttle zone

In conjunction with the internal roading improvements a new taxi and shuttle zone has been created with separate areas for pre-booked and on-demand taxis, a shuttle stand area and a space for coaches. The zone is accessible from a newly constructed footpath leading from the eastern side of the terminal.

e) Landside walkway canopies

Started during the period and scheduled for completion in April 2021 is the installation of a landside covered walkways to the taxi pick-up zone, the shuttle bus area and adjacent the accessibility parking in the main car park.

f) Security fence and airside security

This project is ongoing and includes the installation of a new 2.44m high security fence, new personal access and vehicle gates, airside walkway barriers, new bollards, swing gates to the aircraft stands and upgraded apron flood lighting.

Also included are works to improve the passenger experience to and from the terminal with a new wider concrete footpath, new fencing and upgrading of the old signage, all to match the overall look and feel of the terminal.

13. Proposed Civil Aviation Bill

Previous reports have advised Council on the draft Civil Aviation Bill being proposed by the Minister of Transport (MOT) to amalgamate the Civil Aviation and the Airport Authorities Acts.

As an update, PRIP has recently received a letter from the Ministry of Transport (MOT) and it appears that the MOT are now reviewing the interface between the Public Works Act and the Airport Authorities Act and what should go across into the Civil Aviation Bill.

It has been suggested that the MOT is intending to have the Bill finalised and ready for introduction by the end of 2021, however, the MOT has also indicated that the Ministry may be open to further consultation with airports prior to any final decisions being made.

PRIP will continue to watch the proposed Civil Aviation Bill with interest and keep the Council informed on any progress.

14. Water Services Bill

PRIP has recently been advised that the new Water Services Bill may have an impact on airports around the country.

Essentially, given the breadth of the definition of "drinking water supplier", the duties in the Bill extend to those transporting drinking water to its end supply point. This could be an airport if that airport owns or operates the pipes supplying water to their tenants, customers, or anyone else.

PRIP is currently considering the possible implications for New Plymouth Airport and whether it may be prudent to seek advice on the Bill and how the legislation may affect the Airport.

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 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.

17. Strategic outlook

a) Passenger numbers recovery

The first half of FY2021 has shown good recovery as compared to budget with passenger numbers for the six months to 31 December 2020 at 123,025 – 15% higher than expected. This is despite the temporary lockdown in Auckland mid-term and losing several days at the beginning of December due to weather.

To determine the current recovery stage in Air New Zealand operations at New Plymouth Airport, seven day period checks have been carried out during the period as compared with the equivalent seven days in 2019. This has shown that there has been a gradual increase, with capacity currently at 66.1% of the 2019 figures and passenger numbers at 65.3%.

Representatives from Air New Zealand attended the PRIP Board meeting in December and discussed their plans for 2021 and the introduction of much improved schedule from mid-February, however, there are concerns as the airline has based the schedule on a trans-Tasman flights returning in March/April which, at this stage, is not guaranteed.

Movements (a take-off or landing) are currently averaging around 16 per day but the February schedule as discussed with Air New Zealand will produce 24 daily movements, including three overnight aircraft, which is back to approximately 85% pre COVID-19 capacity.

Looking at the individual sectors, the Wellington and Christchurch routes are still currently running at around 80% of pre COVID-19 capacity and Auckland at circa 63%, however, this should change from February as the majority of the additional capacity is set to go on the Auckland sector.

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.

c) 2021 landing charge 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.

The consultation process, which can take between three and four months to complete, will be started early 2021.

d) Sustainability

The Airport's sustainability consultant has completed the data baselining process and has provided options for the next steps. The Airport's preferred course of action is to join the Airports Council International (ACI) and move straight to Airport Carbon Accreditation (ACA) Level 2.

The ACA pathway is more prevalent amongst New Zealand airports, with only Auckland Airport using another accreditation scheme called Toitu Reduce. To reach accreditation the Airport must have a sustainability plan, therefore, a draft sustainability plan is being developed that provides objectives for the Airport's broader sustainability goals.

e) Solar farm

PRIP was approached during the period by a Taranaki company who were interested in working with the Airport on a proposal to construct a solar farm at the Airport.

The solar farm proposal was to target a large scale (approx. 40MW) solar plant in order to drive down the cost of the installation and, as part of the process, the company sought advice on the cost to export the power from the Airport to the national grid.

Unfortunately, the nearest suitable connection point is 10 km away and the connection cost of \$15.5 million throws out the economics for the solar farm. Therefore, at this stage the project has been abandoned as it is not seen that PRIP would be able to support the funding of such a large scale infrastructure project.