

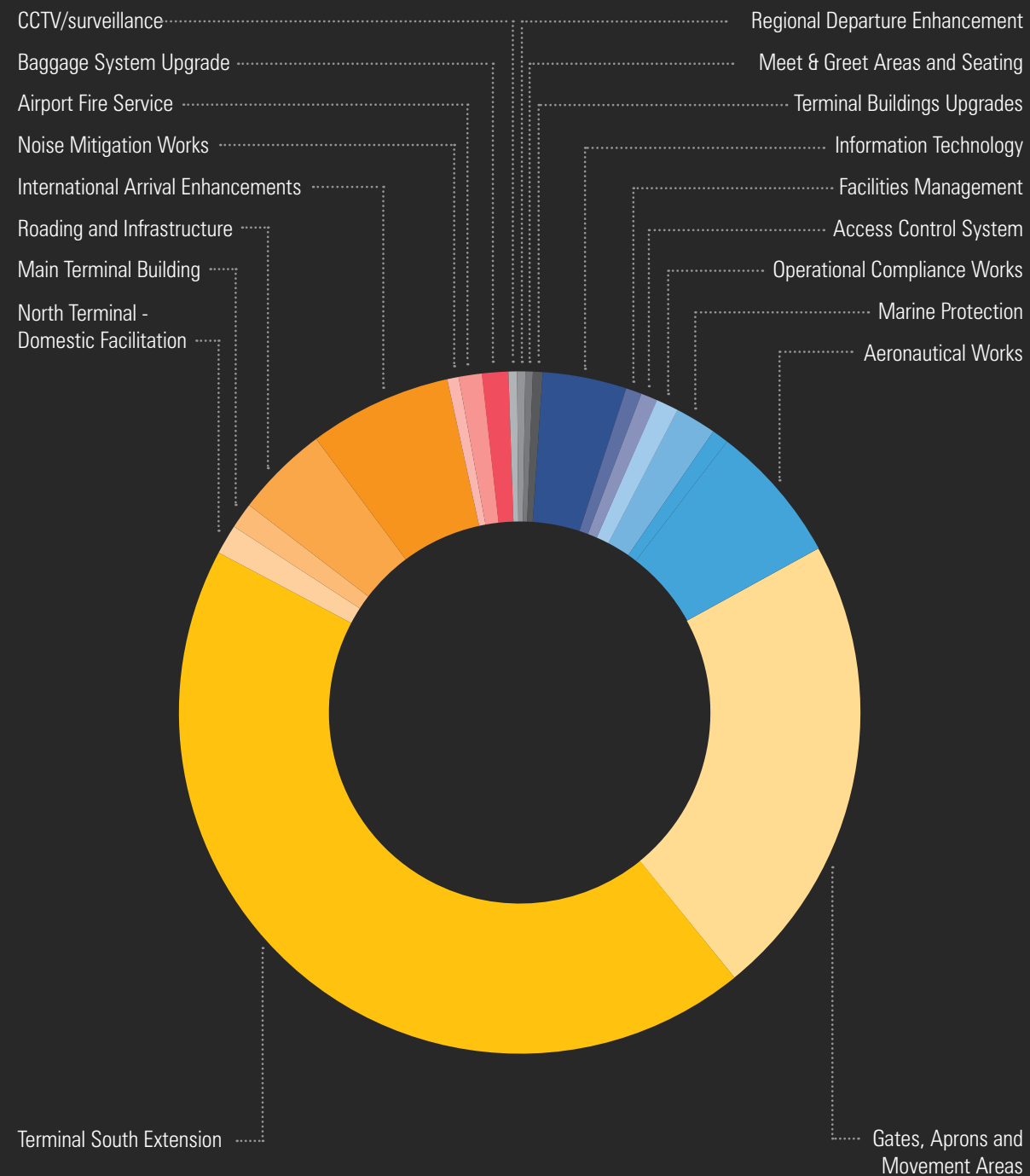
SUMMARY OF PERFORMANCE



Under Commerce Act Part 4
Year ended 31 March 2018

Published 31 August 2018

\$115.7 MILLION AERONAUTICAL INVESTMENT (1 APRIL 2014 - 31 MARCH 2018)*



* Excluding work in progress

SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2018

Over the last decade, total passengers have increased on average by 112,600 a year, with Wellington Airport actively working with airlines and tourism agencies to promote and grow travel routes. The Airport has experienced strong passenger growth with domestic passengers increasing to over 5,200,000 per year, and international numbers have nearly reached 900,000 per year.

Wellington Airport is central New Zealand's gateway to the world with connections to 18 destinations in New Zealand and 6 destinations overseas. Airports play a major role in improving a region's connectivity and deliver substantial direct economic benefits. International tourism, business passenger productivity, international students, freight and aviation growth all contribute to the economy of cities and regions.

Wellington Airport has three priority objectives; to be safe, to facilitate regional connectivity to the world, and to be welcoming. Delivering these objectives requires substantial ongoing investment and the prospect of a satisfactory return on capital. In the year ended 31 March 2018 Wellington Airport can point to good outcomes on each of the objectives and progress with its investment plans.

By the year ended 31 March 2019, Wellington Airport will have completed a \$300m investment programme over five years for all its assets. This investment will continue to improve the passenger and visitor experience with terminal enhancements, state-of-the-art transport hub, airport hotel, airfield and technology improvements.

We continue to consult and collaborate with our airline partners and other stakeholders over developments, including the recent domestic terminal extension and taxiway repaving.

There is still work to do however. As the airport continues to grow and promote air services the international terminal is coming under more pressure. Wellington is midway through a master planning process and has agreed with airlines to defer its next pricing event for half a year until the growth forecast and plans are ready for consultation.

This document provides a summary of Wellington Airport's performance, and together with the Annual Disclosures, provides transparency for airports, airlines, passengers, Government and other interested stakeholders.

Airports are long term cyclical infrastructure assets which are best evaluated over time. The experience of the past eight years has demonstrated that the information disclosure regime is working well and achieving the purpose of Part 4 of the Commerce Act; ensuring that airports deliver high quality services to passengers and airlines, at appropriate prices, and that airports are innovating, investing and operating efficiently.

5.2 million
Domestic passengers

900_k
International passengers

HIGHLIGHTS

Continually innovating – Common Use Self Service Check-in and boarding gates. One of the first airports in the world to trial intelligent automated aerobridges and use of electric vehicles.



Sharing gains and promoting growth – published incentive scheme for domestic and international passenger growth with eight new services from four airlines in the last five years.



Invested \$115.7 million in aeronautical assets over last four years – extended the domestic terminal, enhanced international arrivals, improving the central terminal and repaved taxiway.

Effectively managing costs and efficiency – the most cost efficient airport in Australasia.

Providing quality service – Ranked second in Australasia and overall service quality rated 4.3 out of 5.0.



Value for money airport charges – lowest charges for major Australasian airports and in the lower range Worldwide.

Current year returns on aeronautical assets are 6.1% excluding revaluations.

SIGNIFICANT AND ONGOING INVESTMENT IN INFRASTRUCTURE AND INNOVATION



Ongoing investment in aeronautical services and facilities to meet passenger growth, to continue to improve service levels and efficiency, and reduce costs.

- **Commenced the airport's Masterplan** for the next 20-30 years. With passenger growth there is already pressure on the international terminal, and despite enhancements to the arrivals area, a longer term solution is needed. The Masterplan for domestic and international growth will be extensively consulted on with airlines and key stakeholders.
- **Domestic terminal extension** continues to provide a positive customer experience. It is catering well to forecast passenger demand and continues to be further improved. The middle of the main terminal is now being upgraded to provide more customer space.
- **Enhancement to the international arrivals** area last year provided a cost effective improvement to address a large growth in international passengers. We have commenced planning to upgrade security to meet new regulations. A longer term solution to international passenger growth is currently being developed.
- **Taxiway repaving project** which is undertaken every 15 years has recently been completed. Over 140,000 people hours were worked with an excellent safety record of no Lost Time Injuries. 3,500 tonnes of asphalt were recycled during the repaving – a first for Wellington. 15km of ducting for power and communications were installed. Wellington Airport operates on a small footprint and has a curfew, so considerable effort was put into the 8 month long civil works that had to occur during the nights. This also included minimising its effect on the neighbouring community.
- **Third Panther fire truck** introduced for Category 9 level operations with 27,000L of water available.
- **Quieter Homes programme** for the community is progressing well with subsidised noise insulation of up to 700 houses to protect against current and future aircraft noise.

Investment in efficiency and resilience

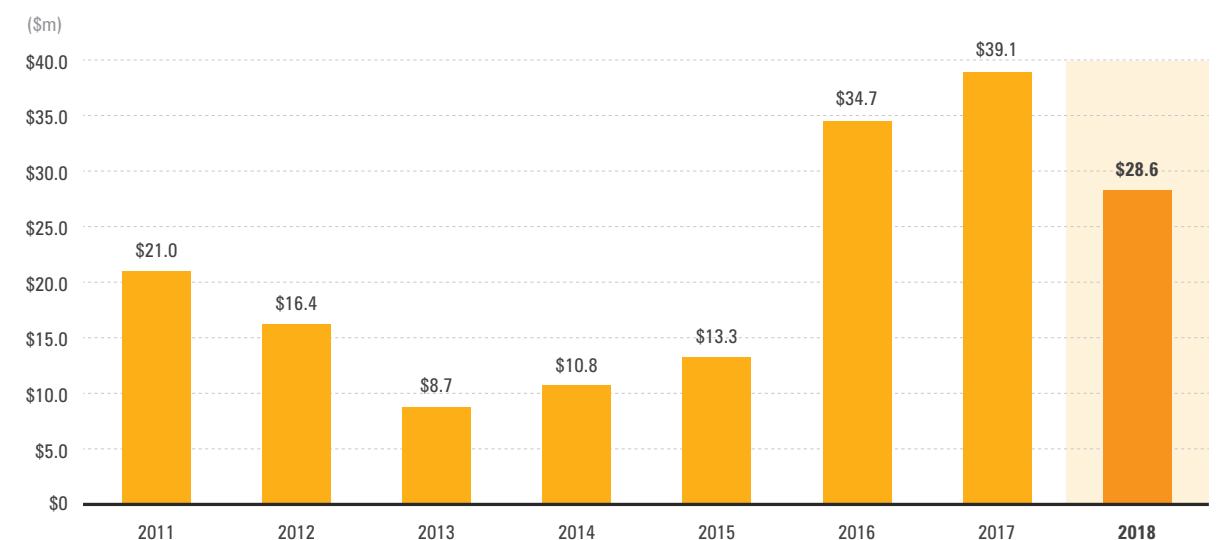
- As part of the taxiway repaving project, new and more resilient ground lighting was installed.
- Performance Based Navigation routes for aircraft are being trialed. The routes use GPS and are more efficient, providing fuel savings for airlines with no expected noise changes for residents.
- Runway ground shaking during an earthquake is measured on two accelerometers to enable accurate and efficient decision making.
- Terminal buildings are constructed up to Importance Level 3 – a greater level of earthquake resilience than standard commercial structures.
- Three fully diverse internet links installed.
- Implementing initiatives to lower energy consumption, reduce waste and offset carbon emissions.
- Developing a site wide plan for storm water management and discharge.
- LED lights rolled out through the terminal.

Investment in Information Technology

- Airport collaborative decision making – online portal for real time coordination of operations across all airport stakeholders to improve on-time performance and airfield capacity.
- Self service boarding gates for regional aircraft introduced to improve efficiency at boarding times.

- Common user terminal equipment – enabling airlines to share the same check-in counters and ticketing systems, a valuable tool enabling the growth of new airlines and services to be supported within the same terminal footprint.
- Inbuilt runway sensors being implemented for real time runway condition reporting direct to aircraft.
- Enhanced CCTV and runway cameras that enable greater visibility and efficiency for safety and security.
- Airfield innovations including Nose in Guidance System for jet stands and a GPS wildlife tracking, debris and pavement issues with GIS heat mapping.
- Intelligate added to all Aerobridges allowing the control room to monitor all actions taken by an Aerobridge operator.
- Working on becoming one of the first airports in the world to trial automated airbridges.
- Extra resource added to the Baggage Hall to maintain the system until replacement.
- State of the art Gallagher Security system has been implemented throughout the terminal ensuring better security monitoring and reporting.
- Mobile responsive website integrated with Customer Relationship Management system for better service and information deliver.
- Expansion of the fibre ring network to allow better connectivity across the airport site.

Aeronautical Capital Expenditure



2 CONSISTENT HIGH QUALITY CUSTOMER SERVICE AND EFFICIENCY

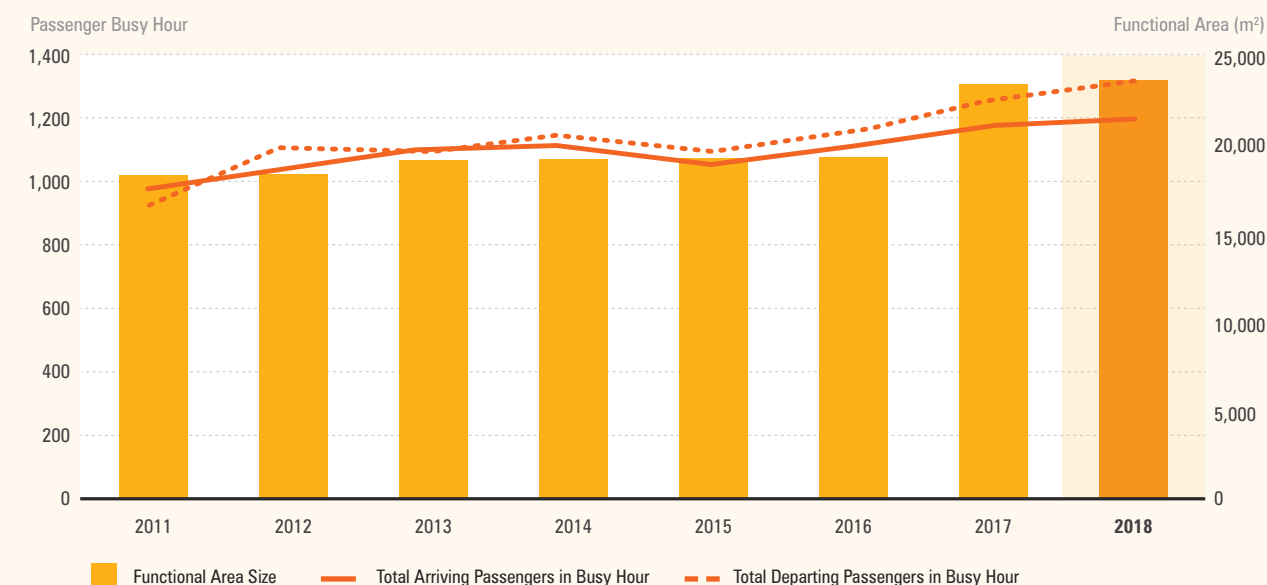
Hosting over 20,000 passengers on busy days, we are committed to understanding our customers' needs and delivering a consistently high level of service that reflects the best of Wellington.



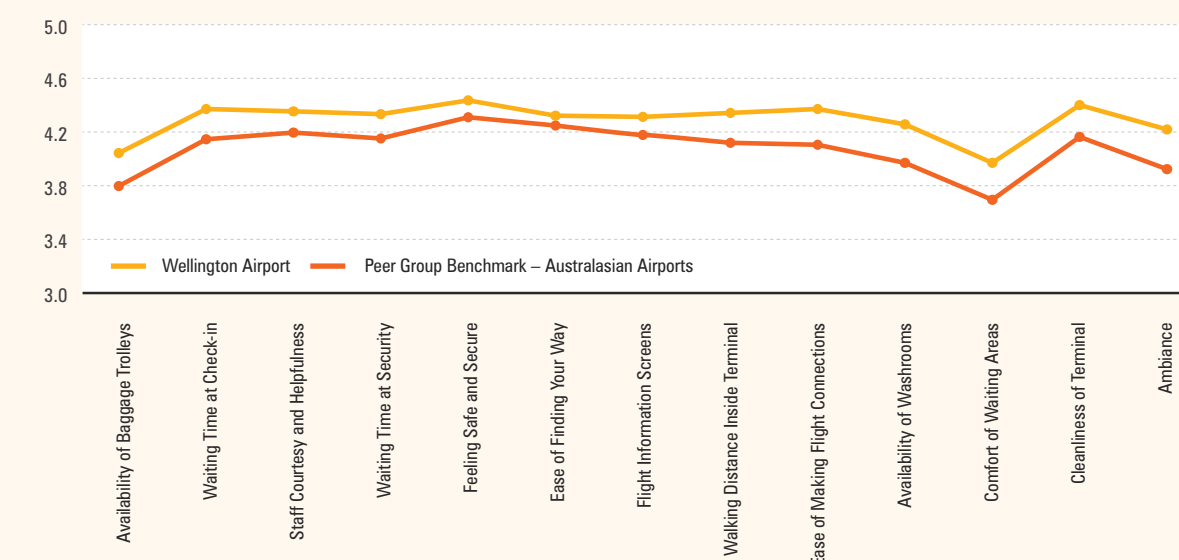
- As an internationally recognised and award-winning airport, we have consistently strong Airport Service Quality ratings across all key service indicators and are currently rated second in Australasia. The recent terminal extension contributed to our highest customer service score ever (4.3 out of 5.0) and the project won the Tourism Category and Gold Award at the New Zealand Commercial Project Awards.
- The ongoing upgrades to the main terminal will provide visitors with the best retail, food and beverage Wellington has to offer at CBD prices and an amiable environment.
- International arrivals was reconfigured last year to address peak period capacity, however, there is an ongoing operational focus on processing times. The terminal is also tight at peak times and improvements are being made to address seating in waiting areas.
- Collaboration across the entire Airport Community through "TEAM WLG" is undertaken for all touchpoints, operational requirements and events.
- Developing a new Integrated Operations Centre for the airport, airlines and other key stakeholders that will be a first for New Zealand.
- New TAKEOFF customer service programme was introduced to encourage the entire airport community to play their part in assisting people on their journey.
- 50 volunteer ambassadors and two kiosks to help and support passengers with airport services and wayfinding.
- Vehicle licence plate recognition technology introduced during the year has made the passenger pick-up and drop-off experience more seamless.
- The transport hub is nearly complete and will provide improved undercover public transport access and expanded drop-off and pick-up areas.
- The first airport in New Zealand to accommodate ride sharing and introduce Uber.
- Silver star rated by Be Accessible. Evacuation chairs installed throughout the terminal to aid those passengers with mobility issues in an emergency.
- The introduction of smart technology into our washrooms which optimises the use of the cleaning teams.
- New wayfinding signs introduced throughout the airport to improve customers' journeys.
- The terminal extension completed late last year delivered: new centralised security screening, doubled the number of baggage trolleys, increased washroom facilities and customer seating, new airline regional lounge, baggage security screening for all domestic jets and upgraded parents' room.
- 8 Smartgate+ installed, doubling Customs processing capacity.
- Utilisation of swing gate capability between international and domestic terminals for efficiency.

Terminal development and capacity meeting forecast passenger growth

Terminal Area Capacity vs Busy Hour Passengers



Airport Service Quality Score vs Peer Group Benchmark 2018



Currently rated second in Australasia and achieved highest service quality score ever 4.3

CUSTOMER FEEDBACK ON IMPROVEMENTS AND EXPANDED TERMINAL

- » **"I have always had great experience in Wellington Airport. Thanks to all the good people and the facilities provided."**
- » **"The Airport and its facilities are slowly developing to cater for domestic & international travelers which I believe helps our local and national economy."**
- » **"Wellington Airport makes you feel welcome. It always feels like coming home, no matter the time of day (or night)."**
- » **"The food options have continued to improve over the years. It is great that there are food stalls that reflect the coffee and food quality of Wellington City."**
- » **"Great little airport."**

- » **"I think Wellington has improved immensely over the last 10 years and should continue to do so. Wellington is NZ's capital city and should have an airport that it is proud of. We should encourage more international airlines to use it once the runway is extended."**
- » **"I have a good feeling that once the projects in and around the Wellington Airport are finished, a lot of people will recognise it's potential and will be acknowledged as a compact and efficient airport! Also please don't ever remove and always showcase some if not all Weta works inside the airport. We and every other tourist and visitor really loved it!!!"**
- » **"Easy to find your way around and friendly staff."**

3 SHARING THE BENEFITS OF EFFICIENCY GAINS WITH CUSTOMERS

Wellington competes with other destinations in Australasia for a constrained supply of aircraft capacity. Airlines are incentivised to allocate capacity in the most profitable way they can, and the selection process for new routes is complex and lengthy.

On average Wellington Airport’s passenger numbers have grown by 112,600 per year over the last decade.

Wellington Airport has several ways of contributing to the profitability and sustainability of air services. It seeks to maintain low aeronautical charges, work with airlines to increase capacity, start new routes and provide highly efficient operations to minimise airline costs. A published incentive scheme is provided to promote domestic and international traffic growth.

The airport’s growth incentives have contributed towards eight new services from Jetstar, Singapore Airlines, Fiji Airways and Sounds Air over the last four years and capacity growth from Air New Zealand. These have contributed to Wellington’s second most significant period of international growth in the last 20 years. Further growth has been announced by Virgin on Sydney and Air New Zealand on Brisbane. This has provided consumers with more options, lower airfares and reduced airport charges.

Wellington Airport has provided marketing and operational support to increase the awareness of routes to and from the region and contribute to their services. The continued success of the Singapore Airlines route is of particular importance as it is Wellington’s first link with Asia which is the fastest growing travel market in the world.

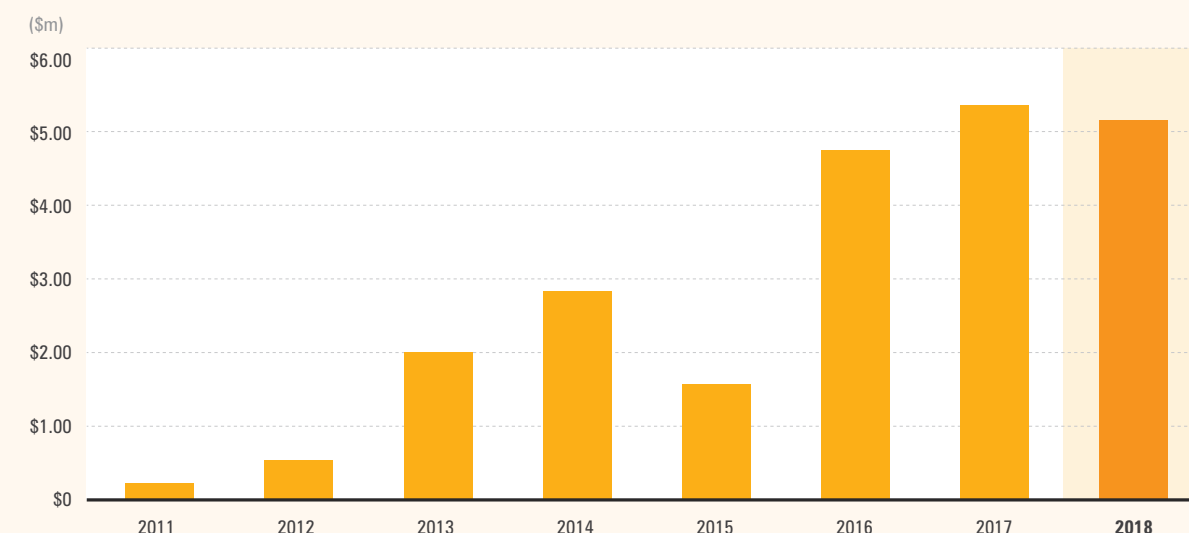


We support the Wellington Regional Economic Development Agency’s efforts to grow business, trade, tourism for the lower North Island and advance the vibrancy and liveability of the Wellington region. This year we finalised a Destination Marketing Fund with Wellington’s key tourism organisations, WREDA and Tourism NZ. As part of the fund, WREDA has hired Wellington’s first China Trade Development Manager to promote the region in Asia.

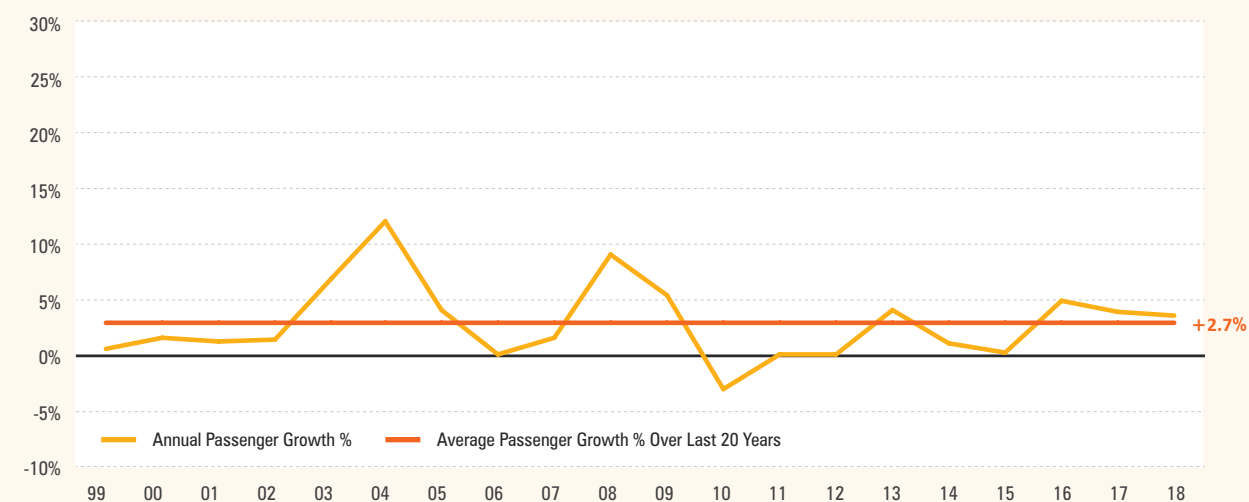
Passenger numbers have almost doubled over last 20 years

Incentives promoting traffic growth with eight new services

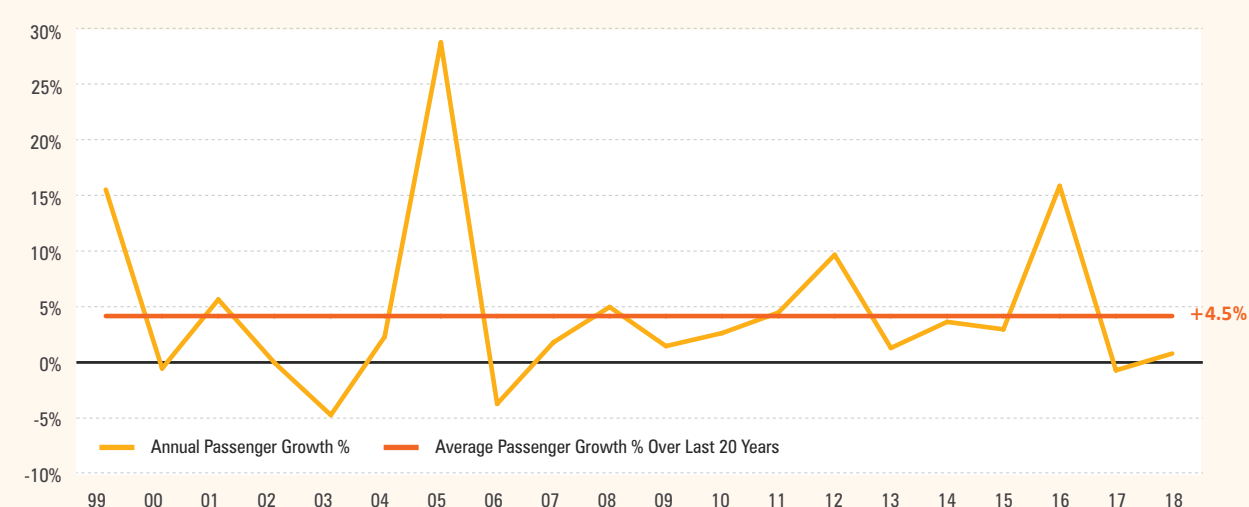
Airline Incentives by Year



Domestic Passenger Growth Over Last 20 Years



International Passenger Growth Over Last 20 Years



4 DELIVERING VALUE TO OUR CUSTOMERS AND EARNING A FAIR AND REASONABLE RETURN OVER TIME



Low airport charges

Wellington’s charges are the lowest of major airports in Australasia and in the lower range worldwide.

Our charges have also been flat over the last five years when taking inflation into account.

Regulatory returns

In order to support the growth in air services, innovation and provide a high quality customer experience there needs to be appropriate incentives to invest. Variability in returns over time reflects the wide range of risks inherent in an airport business and the cyclical nature of assets. It is important that airports can earn a fair and reasonable return over time.

Wellington Airport’s regulatory Return on Investment (ROI) for the year was 6.1% excluding revaluations.

Returns need to be in keeping with factors such as market, regulatory and environmental risks, as well as potential volatility of cash flows and the pipeline of expected and alternative investments. They must also reflect project and execution risk, incentivise innovation and drive efficiencies.

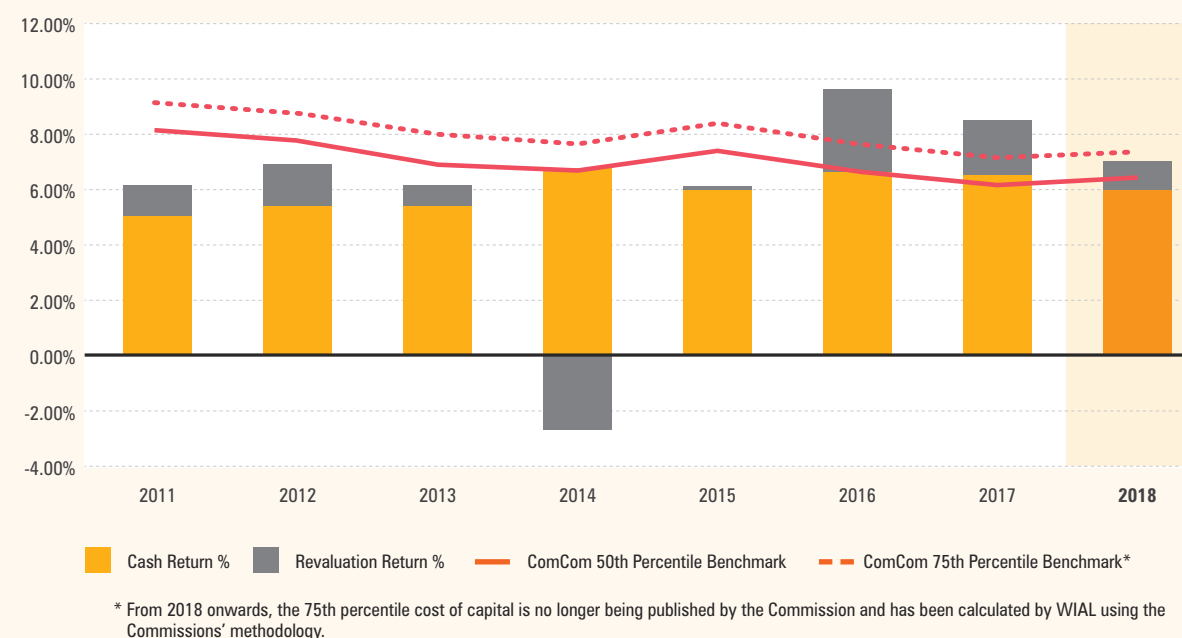
Actual returns since the commencement of the Information Disclosure regime are below the Commission’s cost of capital determinations for Wellington Airport.

- Actual returns have been between 4.2%-9.7% (5.1%-6.9% excluding revaluations) over the eight year period.
- Cumulative returns since the start of the information disclosure regime are \$57.9m below the Commission’s 75th percentile benchmark, and \$14.4m below the Commission’s 50th percentile benchmark.
- The shortfalls have been driven by a number of factors and forecast eventualities, including lower than forecast revaluations, timing of capital investment compared to forecast and a falling risk free rate.

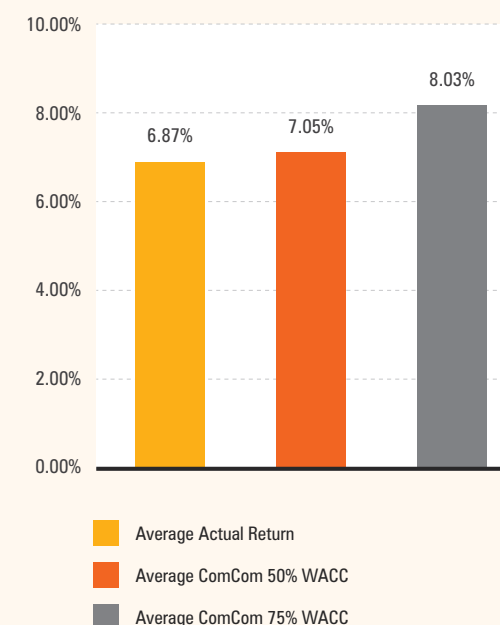
Low operating costs

- Wellington Airport is the most efficient major airport in Australasia with the lowest operating costs per passenger.
- Whilst operating costs are under ongoing pressure, in particular with large increases in fire service levies, insurances, Council rates, associated costs of the expanded terminal, and an ongoing focus on economic regulation the Airport will continue to manage its costs effectively.

Annual Returns Compared to Commission’s Benchmarks



2011-2018 Average Return % vs Average ComCom WACC Range



Cumulative returns over last eight years are \$57.9m below the Commission’s 75% benchmark, and \$14.4m below the 50% benchmark

\$300M INVESTMENT PROGRAMME EXCLUDING RUNWAY EXTENSION



MAIN TERMINAL EXTENSION AND ENHANCEMENTS

The main terminal extension was completed in November 2016 after two years of consultation and two years of construction. The upgrade and redesign of the existing terminal interior commenced this year. The first stage is already completed and has provided improved passenger flow. The end result will be a seamless integration with the southern end of the terminal, providing the best of Wellington and the world with a new dining precinct and specialty retail.



RYDGES WELLINGTON AIRPORT HOTEL

Construction is progressing well on the Rydges Wellington Airport Hotel and it is planned to be complete in December 2018. The hotel will make it more convenient for travellers from a wider catchment to use Wellington's international flights.



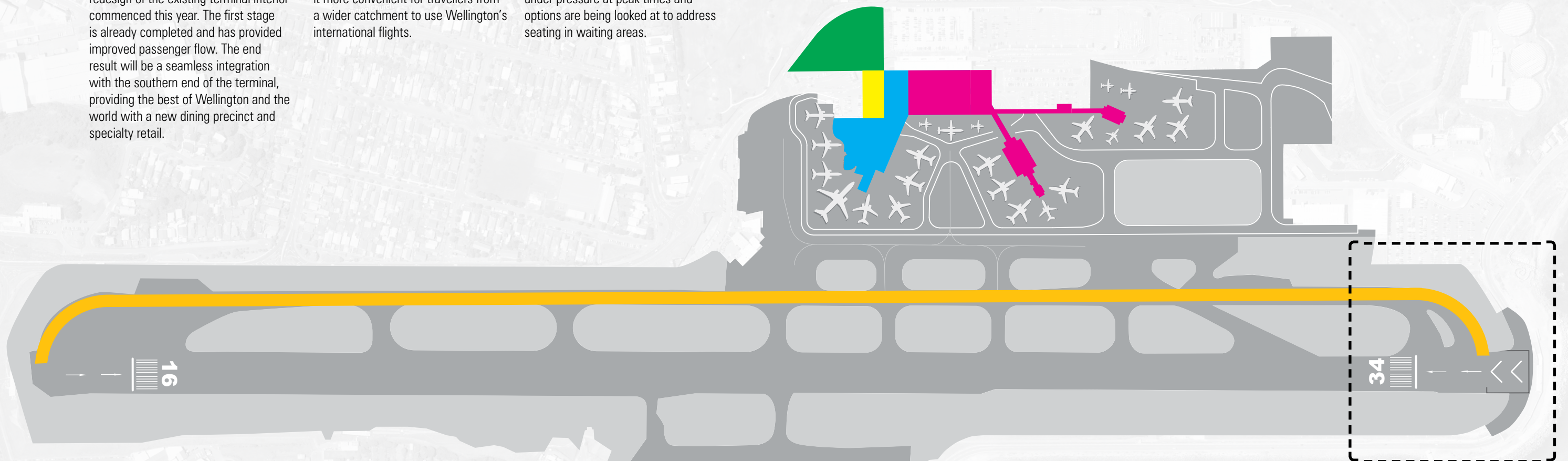
INTERNATIONAL TERMINAL ENHANCEMENTS

Improvements to the arrivals area were completed in September 2016. However, with further international growth the departures area can come under pressure at peak times and options are being looked at to address seating in waiting areas.



MULTI LEVEL TRANSPORT HUB

When it opens later in 2018, the multi-level car park and transport hub will provide a technologically advanced facility, with electronic wayfinding and electric vehicle charging points being added to existing features such as exit arms opening automatically thanks to licence plate recognition. Public transport access will be greatly improved with undercover bus pick up and drop off on the ground floor and much closer to the terminal.



RUNWAY AND AIRFIELD DEVELOPMENT PROGRAMME

The taxiway repaving is a once in fifteen year project which was completed in mid-2018. The works were undertaken overnight during the airport's curfew. 3,500 tonnes of asphalt were recycled during the repaving – a first for Wellington and it means 3,500 tonnes were saved from going to landfill and saved from needing to be sourced from a quarry. In total 79,000 tonnes of material was moved during the works – over 8,000 return truck movements, or 1100 fully laden A320s.

- 8.3 hectares of new asphalt laid
- 15km of ducting for power and communications installed
- 15km of paint markings painted
- 180 shifts, 140,000+ hours worked
- An excellent safety record with no lost time or medical treatment injuries.



RUNWAY EXTENSION

Extending Wellington's runway will enable long haul airlines to operate directly to and from Asia and North America, delivering significant visitor growth, business connectivity and more convenient, affordable travel. Following the Supreme Court decision on the rules regarding safety lengths, Wellington Airport was granted a further adjournment by the Environment Court until October 2018 to reapply to the CAA for the extension's safety area. An updated application to the CAA on RESA length using the Supreme Court's guidance has now been issued and a copy provided to the Environment Court. A decision by the CAA is expected to be delivered in September. The extra time and costs involved are disappointing, but Wellington Airport is committed to the proposal.

SOCIAL RESPONSIBILITY

We understand our corporate responsibility to manage a sustainable operation that delivers growth and enhances customers' experience whilst caring for our people, our community and the environment.

Wellington Airport operates on a small footprint with a curfew. It is located between the suburbs of Rongotai and Strathmore Park with popular recreational areas nearby. We put considerable thought and effort into the effect that our operations have on the local community. Here are just a few of the many local and community projects we support:

- The Quieter Homes programme provides noise insulation improvements for many local residents within the air noise boundary.
- The Wellington Airport Regional Community Awards for the last 15 years in partnership with the region's council's and the Wellington Community Trust.
- The airport is about to commence native tree planting with local community groups to both improve the region's environment and assist predator free Wellington along with offsetting and reducing carbon emissions in the future.
- Funding to complete the Lyall Bay Surf Club building and the bridge at the Makara Peak Mountain Bike Park.

