

An aerial photograph of Wellington Airport, showing the runway, taxiway, and terminal building. A yellow banner with the text 'WELLINGTON AIRPORT' is overlaid on the top right.

WELLINGTON

AIRPORT

# SUMMARY OF PERFORMANCE

COMMERCE ACT PART 4  
YEAR ENDED 31 MARCH 2021

PUBLISHED 31 AUGUST 2021



# CONTENTS

	Summary of Performance	3
	Highlights	4
01	Maintaining essential infrastructure through Covid-19	6
02	Keeping costs down without compromising service	8
03	Exceeding customer expectations and keeping travellers safe	9
04	PSE4 Update	12
05	Delivering value to customers and earning a fair and reasonable return	14
06	Supportive capital providers	16
07	Working with airline partners on shared challenges	17
07	Supportive capital providers	18
08	Environment, sustainability and community	19

# SUMMARY OF PERFORMANCE

## FOR THE YEAR ENDED 31 MARCH 2021

**This year was unprecedented and extremely difficult for the aviation and tourism industry. However, while passenger numbers were down from 6.1 million to 3.0 million for the year, domestic travel and domestic tourism was recovering by the end of the period, and Wellington Airport is in the fortunate position of being more orientated to domestic than international travel. With significant cost reductions, the support of lenders and shareholders, and the commitment of experienced staff, we are weathering the storm and are well set for the challenges ahead.**

Wellington Airport has not sat still during the last year. While discretionary and growth capital expenditure has been put on hold, we have progressed planning for key projects, including the Notice of Requirement for designations over our existing site and new land acquisitions. We have also continued infrastructure investment to maintain safety and resilience standards.

For the Airport, another area of progress over the year was conclusion of consultation with the major airline users over aeronautical charges for the FY20-24 period. Charges reflect compromise or agreement with airlines on all major issues. We have kept the Commerce Commission informed of progress and key issues throughout consultation, and will work with them as they review our pricing disclosures in early 2022.

Wellington Airport has also proudly maintained its commitment to its community despite the challenges of Covid-19. Though several sponsorships were put on hold, including the Wellington Airport Community Awards and contributions to major events like World of WearableArt®, we retained key relationships and agreements and are in a position to recommence these sponsorships for the new financial year. The Airport’s commitments reflect our recognition of the value created and the need for a critical infrastructure provider to maintain good active communication with the community it serves.

Work also progressed towards the Airport’s sustainability targets and understanding its climate-related risks. Aviation faces especial challenges with reducing emissions while still delivering the benefits of affordable travel. This challenge can be met if airports, airlines, aircraft manufacturers and Government work together to formulate and implement an emissions reduction plan. The challenges are not unique to New Zealand, but New Zealand’s geography, remoteness, and social mix make finding a workable plan especially important.

At the time of writing this report, New Zealand aviation’s recovery has been set back by the closure of the trans-Tasman bubble and a new nationwide Level 4 lockdown. However, we are now well practised in managing Covid-19, and confident in the ability of aviation and travel to return to meet demand when lockdowns end. We are looking to the future with cautious optimism, and working closely with airlines and government agencies on our continued Covid-19 response.

Wellington Airport would like to pay tribute to its staff for their flexibility and positivity throughout the year, and willingness to tackle new challenges and adapt to new processes. We have worked hard to keep staff safe with our staff vaccination programme and Hauora programmes. The strength of our team has put us in good stead and our resilience is strong.



# HIGHLIGHTS



Runway resurfacing completed



Airline prices set for 2020-24 period



Working with airlines and government on recovery and reopening

Photos: Mark Tantrum Photography (top left) Yuvraj Kaintel (bottom), Colin McDiarmid (top right)

Notice of Requirement progressed to enable future expansion

2040 Master Plan reviewed and confirmed



Quieter Homes noise mitigation for our neighbours continued despite Covid-19



30% reduction in operating costs, capital expenditure resized and business restructured in light of Covid-19

Photos: Photographer unknown (bottom), Oliver Crawford (right)

Net Promoter Score of 51.6

Major sponsorships continued or carried into 2021 despite Covid-19



Strong shareholder and lender support:

- \$75.8m equity commitment from shareholders if required
- \$100m bond issue – the first significant domestic bond issue post-Covid
- \$70m increase in bank support with extended maturity terms and temporary covenant waivers



# 01 ONE

## MAINTAINING ESSENTIAL INFRASTRUCTURE THROUGH COVID-19

It will be no surprise that due to Covid-19, Wellington Airport has carefully managed its capital expenditure and rearranged plans where appropriate. Through careful management, we have kept capex for the year to \$27.0m, down from the \$38.0m invested the prior year.

Prior to Covid-19, Wellington Airport served 6.1 million passengers per year and this was forecast to double to 12 million by 2040. Our pre-Covid-19 aeronautical capital expenditure forecast from FY20-24 was \$540m. With the agreement of airline customers, a significant amount of expenditure has been deferred, reducing this amount to a still-significant \$299m.

The expenditure now underway is required to maintain safety standards and resilience, and to enable the Masterplan terminal and apron expansion as passenger numbers recover. Though Masterplan projects are paused for now, we are conscious of the constraints in the international terminal which will re-emerge when international travel reopens. Prior to FY20, the number of passengers arriving and departing in a busy hour was growing year on year, while space available remained the same. Wellington Airport had

the highest ratio of passengers per square metre of the major New Zealand airports, and international screening was operating at 100% of capacity during busy hours.

We remain one of the most space constrained airports in the world due to our small landholding and consequent small building footprint. We have used the time granted by Covid-19 to continue planning our key projects and progress designations over our existing site and new land acquisitions. This will enable us to move in time to meet demand, as and when passenger numbers recover.

This year, we have been able to take advantage of the quieter period in the international terminal to progress works to free up space in the International Departures area in anticipation of the recovery of international travel. We have also been able to commence earthquake strengthening work and a major upgrade of the runway. All of these projects were completed more safely and efficiently and with less disruption due to the lack of international flights, so it made sense to progress these despite our cost-constrained circumstances. Airlines were consulted on proceeding with the International Departures and runway projects, and were strongly supportive. The runway overlay was achieved at a significantly lower cost due to the efficiency of working in longer overnight shifts while international flights were paused.

We have also made investments in new infrastructure and processes as a response to Covid-19 requirements. This includes thermal cameras to check the temperature of all inbound arrivals, the only airport in New Zealand to do so. We have invested in equipment and processes to enable the most stringent hygiene standards, including hand sanitiser stations, government-approved signage, regular deep cleaning, and Ministry of Health audits to check our processes. We have also created a new medical room in the international arrivals area.

Runway Resurfacing. Photo Elevo Commercial Drone Services

**\$27.0m**

Capital expenditure

**\$4.8m**

International Departures upgrade

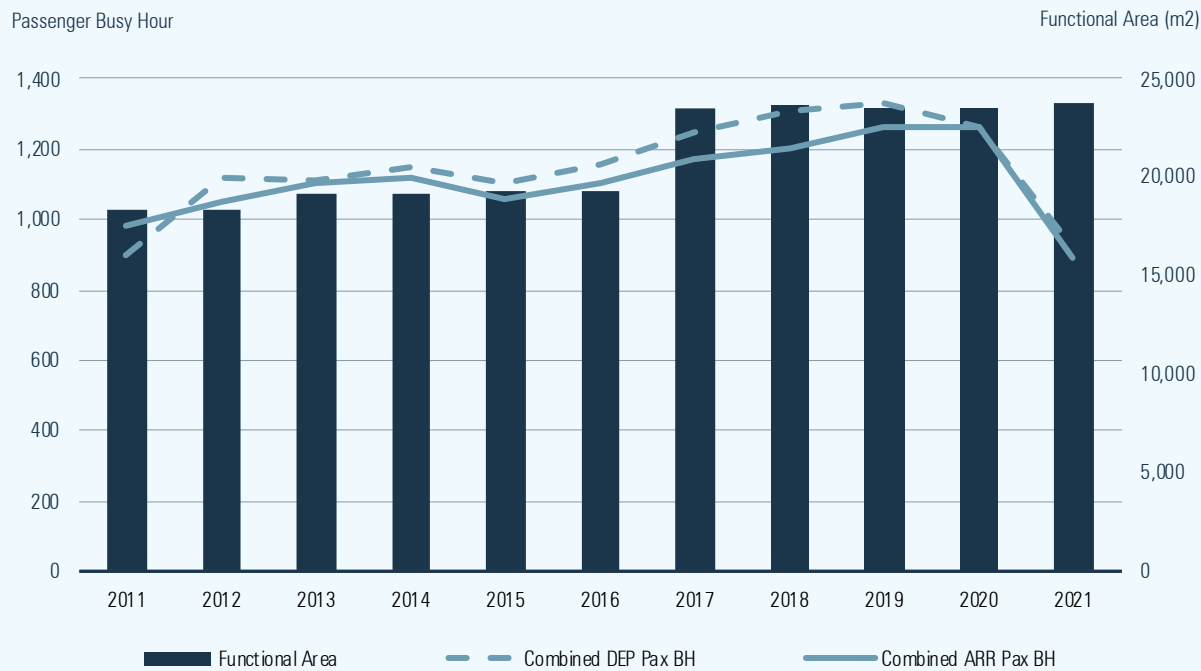
**\$11.5m**

Runway Overlay maintenance project

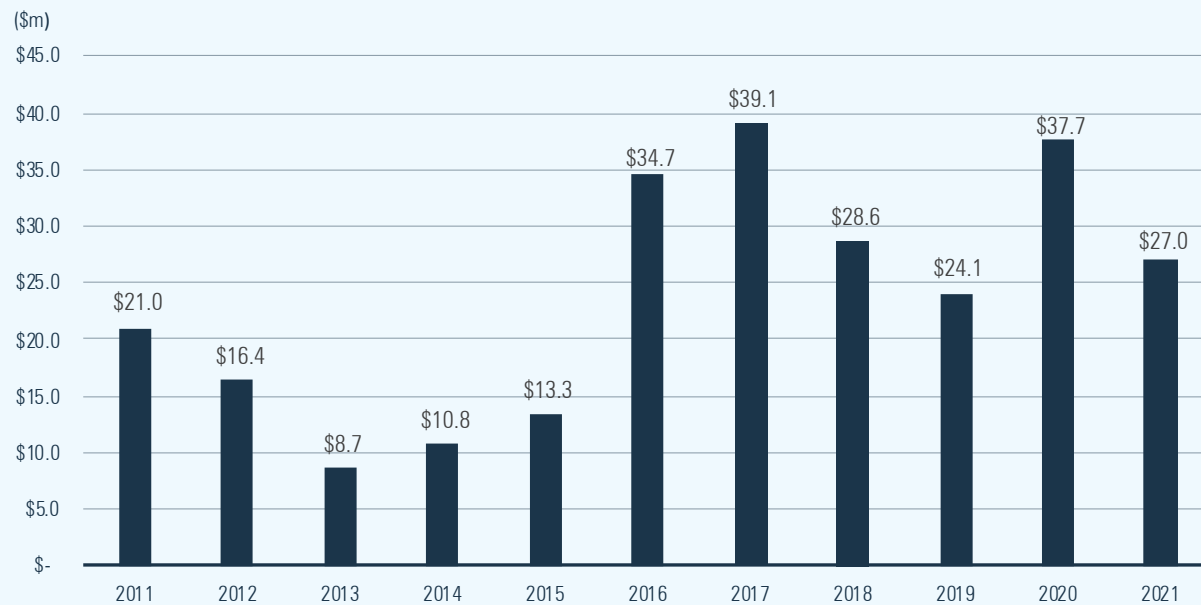
**\$10.7m**

Essential upgrades and repairs

TOTAL TERMINAL AREA CAPACITY AND PASSENGER DEMAND



AERONAUTICAL CAPITAL EXPENDITURE



TWO  
KEEPING COSTS DOWN WITHOUT  
COMPROMISING SERVICE

Wellington Airport moved quickly in response to Covid-19, to reduce costs to a minimum.

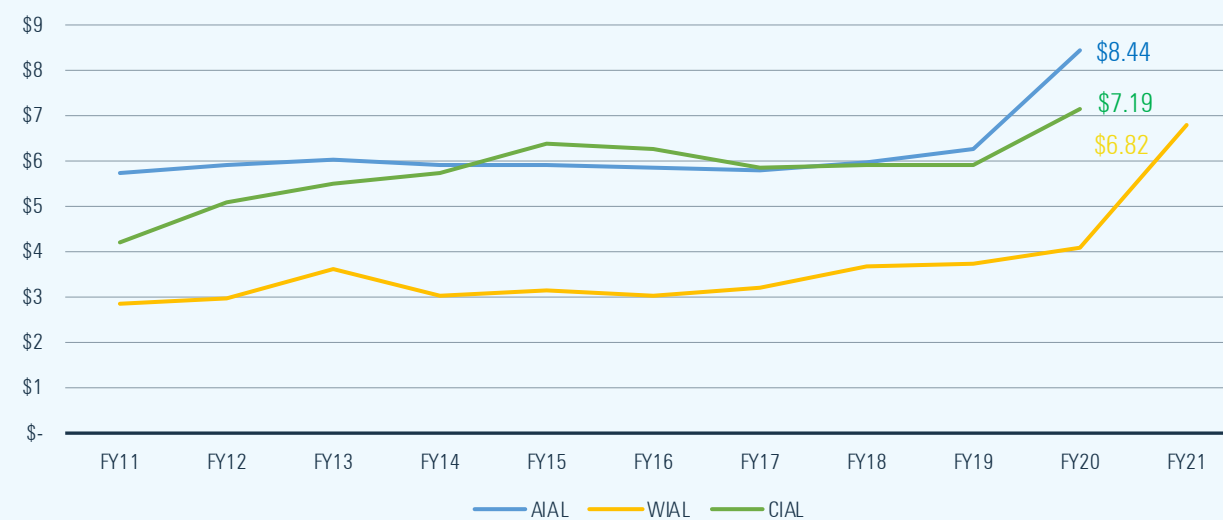
Initially this included a 30% reduction in staff numbers, all senior management and directors accepting a 20% reduction in remuneration, and many other salaried staff accepting a four day week. However, while the Airport has a track record as the most efficient in Australasia (in terms of operating cost per passenger), maintaining the commitment of a strong team is crucial. This requires that the Airport looks after its people, both financially and with regards to their development and wellbeing. We are mindful of this during our ongoing Covid response.

Our regulatory operating expenditure per passenger has always been the lowest compared to New Zealand's other major airports. Costs per passenger have increased in FY21 due to the lower passenger base and high proportion of fixed costs. As passenger numbers return, we believe we will retain efficiency gains and continue to compare very favourably to other airports in Australasia and worldwide.



Photo: Mark Tantrum Photography

OPERATING COSTS PER PAX



Note - data obtained from each airport's published Annual Information Disclosures. Auckland Airport's 2020 costs have been adjusted to exclude \$69.6m project write-offs.

EXCEEDING CUSTOMER EXPECTATIONS  
AND KEEPING TRAVELLERS SAFE

Wellington Airport has remained focused on maintaining its high customer service standards despite reduced expenditure and deferred infrastructure investment. We are proud to have maintained essential investments despite Covid-19, and to have found ongoing efficiencies rather than curtailing services.

Our customer surveys show improved results for comfort of waiting areas, food and beverage options, and ease of wayfinding through the airport. This reflects our investment in recent years into opening up central terminal space and improving retail offerings. Other common compliments include the fantastic views and natural light, and the terminal atmosphere, reflecting our regular live music and performances, and sponsored partnerships with Wellington performing arts events.

We have a very strong Net Promoter Score of 51.6, with 6 in 10 customers surveyed being active "promoters" of Wellington Airport. The number of customers giving us an "excellent" rating has increased from 38% to 51%.

During this year, we also launched a special initiative to support travellers with hidden disabilities such as autism or communication disabilities. By wearing a discreet lanyard, customers can signal to staff that they may require additional attention or a different approach. More than 200 lanyards have been given to customers at their request, supporting them for a safe and comfortable journey.

Furthermore, survey results reflect our efforts to keep customers safe during Covid-19, with enhanced cleaning, signage, sanitiser stations and communication. 93% of customers felt safe travelling through the airport, while the other 7% were neutral. 90% agreed we have a safe, clean and hygienic environment.

Wellington Airport is required to report on the number of on-time departure interruptions, and any problems with baggage systems and air bridges, which can affect customer wait times. In all years since

2012, we have had the shortest duration of on-time departure interruptions of the major New Zealand airports and we are pleased to maintain this standard. We have also had very few interruptions to the runway and taxiway.

We do, however, have an increasing number of issues with our baggage handling system, which is reaching the end of its life. Replacement of this system is an example of essential capital expenditure which remains in our planning over the next few years, rather than let services degrade through lack of investment. Overwhelmingly, negative feedback from customers is now focusing on travel time from the CBD. This is our most highly rated negative feedback by far, with 29% of customers raising the issue. While Wellington Airport has no control over this, we share our customers' concern and intend to advocate strongly for better transport solutions on the airport access route in the hope of better outcomes for our customers and community.

Similarly to other airports, we did not conduct our usual Airport Service Quality surveys this year due to cost constraints, and have sought an exemption from the Commerce Commission, as these surveys are usually a regulatory requirement. In recent years our ASQ scores have averaged 4.3 out of 5 for both domestic and international passengers, placing us very highly among Australasian airports. For the time being, we have replaced ASQ surveys with an internal customer survey and external market research.



Hidden Disabilities lanyards launched  
Photo: Elias Rodriguez for Mark Tantrum Photography

## CUSTOMER FEEDBACK

95%

say it is easy to travel through the terminal

90%

say we have a safe, clean and hygienic environment during Covid-19

93%

felt safe and secure travelling through Wellington Airport

88%

say we have a warm and welcoming terminal atmosphere

88%

complimented the comfort of waiting areas

70-75%

highly rate the quality and variety of retail, food and beverage

Number of "excellent" ratings increased from 38% to 51%



*"I had two of your staff, Hayley and Brennett, help me out in a way that was really going above and beyond the purview of their job description and they did so in a friendly and courteous way"*

*"Jilvan went above and beyond the call of duty to assist me and even helped me to get a taxi. It was a warm welcome Wellington. Thank you for the wonderful kiwi hospitality!"*

*"Amazing initiative @WLGAirport to recognise hidden disabilities"*

*"Apparently Wellington Airport treats you to free beer, live music and the city's best drag queens on Fridays!"*

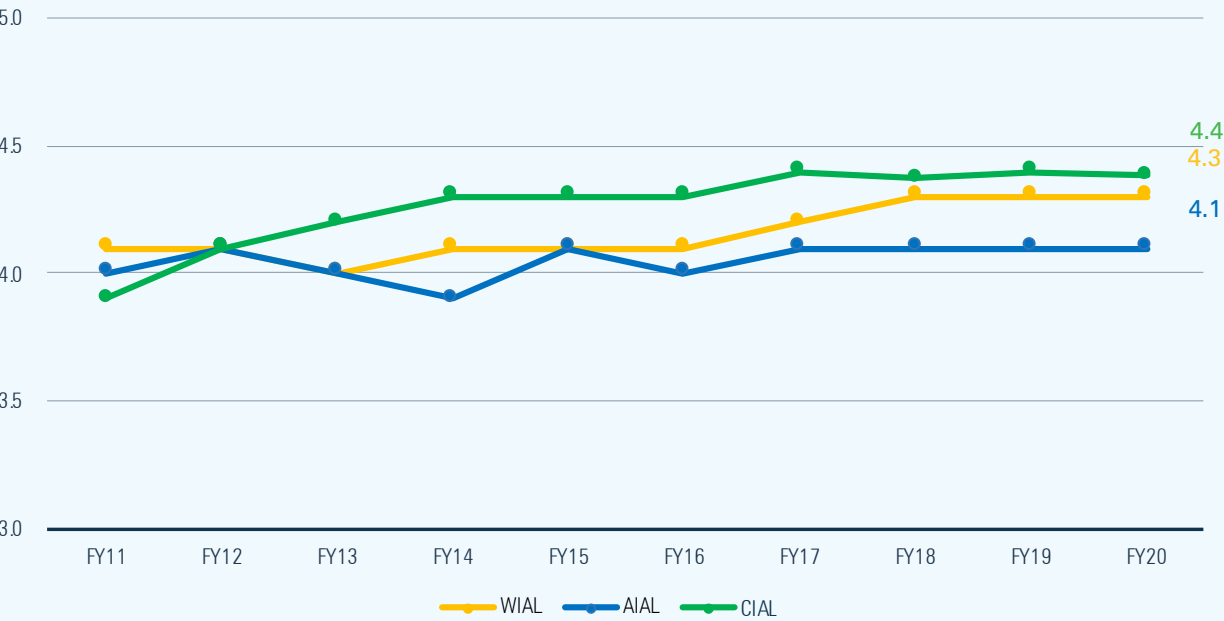
*"Look at the display at Wellington Airport @WLGAirport NZ has such a rich and unique diversity of indigenous trees, it is great to see these educational opportunities so well done, and well placed."*

*"It really caught me today to hear music back in the terminal and the restart a heart day....well done @WLGAirport for such a good day in our little airport."*

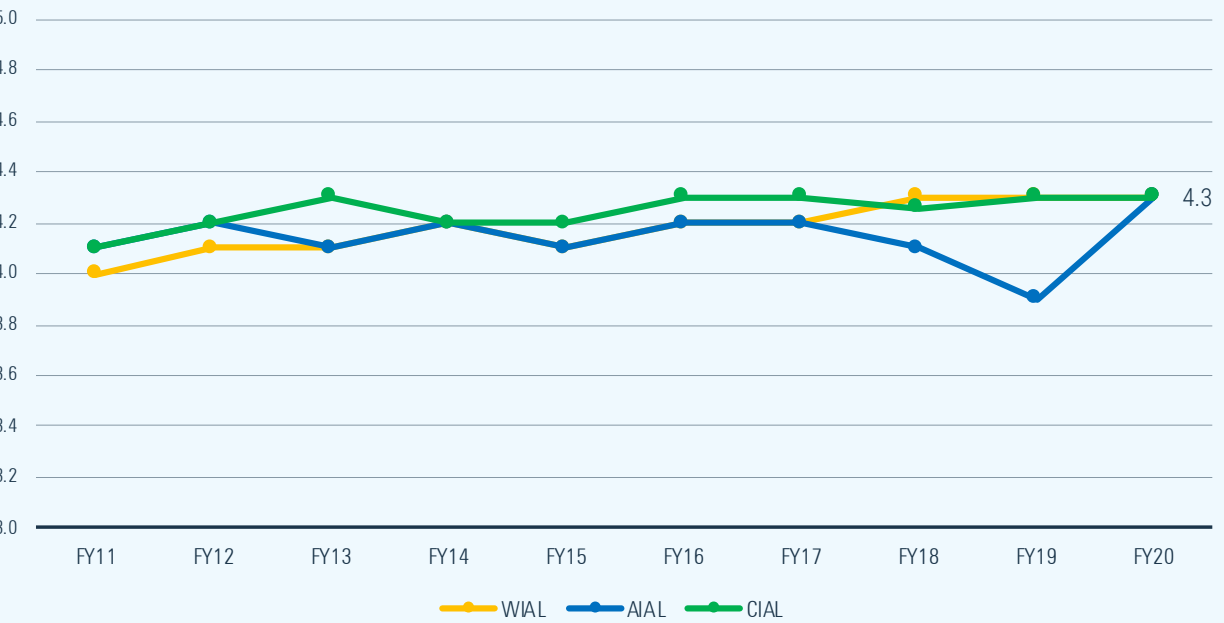
*"Last two years food has improved dramatically. TJ Katsu, Best Ugly, UBW - Well priced, really helpful"*



OVERALL DOMESTIC ASQ SCORES



OVERALL INTERNATIONAL ASQ SCORES





# 04

## FOUR PSE 4 UPDATE

After two years of consultation, Wellington Airport is very pleased to have now set airline charges for the PSE4 period (1 April 2019 – 31 March 2024).

With the agreement of airlines, charges were held at 2019 levels for the first two years of the pricing period as consultation was extended. This consultation took longer than expected due to firstly the need to refine our 2040 Masterplan and associated capital expenditure with input from our stakeholders and airline customers; and secondly due to the disruption caused by Covid-19. We are grateful to our airline customers for their collaborative approach which enabled us to reach agreement or compromise on all major issues.

In April 2021, we were able to issue an updated revenue target for the PSE4 period. Prices for FY22-24 have been set in order to achieve this revenue target, taking into account the flat charges for FY20-21.

### Pricing concessions to airlines

Wellington Airport made several important concessions in response to airline feedback, and to take into account the impact of Covid-19 on the aviation industry. Our approach has been to minimise price disruption in the midst of Covid-19, find solutions to shared challenges, and reduce the impact of pricing on airlines at this time.

Some of the steps taken include:

- Holding prices at 2019 levels for two years to enable extended consultation on our 2040 Master Plan and to avoid immediate price increases as Covid-19 emerged;
- Reducing/delaying capital expenditure in light of Covid-19 which reduced airline charges;
- Targeting a rate of return below WIAL's estimated cost of capital, and very close to the rate advocated by airlines;
- Reducing operating expenses following Covid-19, and retaining many of these reductions even as passenger numbers recovered;
- Proposing and agreeing a concessionary price path targeting an average \$15 per passenger

- charge at the end of PSE4 to minimize a price increase and defer \$20m (\$15.1m post tax) of revenue into future pricing periods to avoid large increases for airlines at the current time;
- This concessionary price path means an effective return for pricing assets of 5.43% for the period (including CPI revaluations);
- Agreeing to "wash up" revenue at the end of the pricing period based on actual passenger numbers, to avoid windfall gains or losses due to a faster or slower than expected Covid recovery.

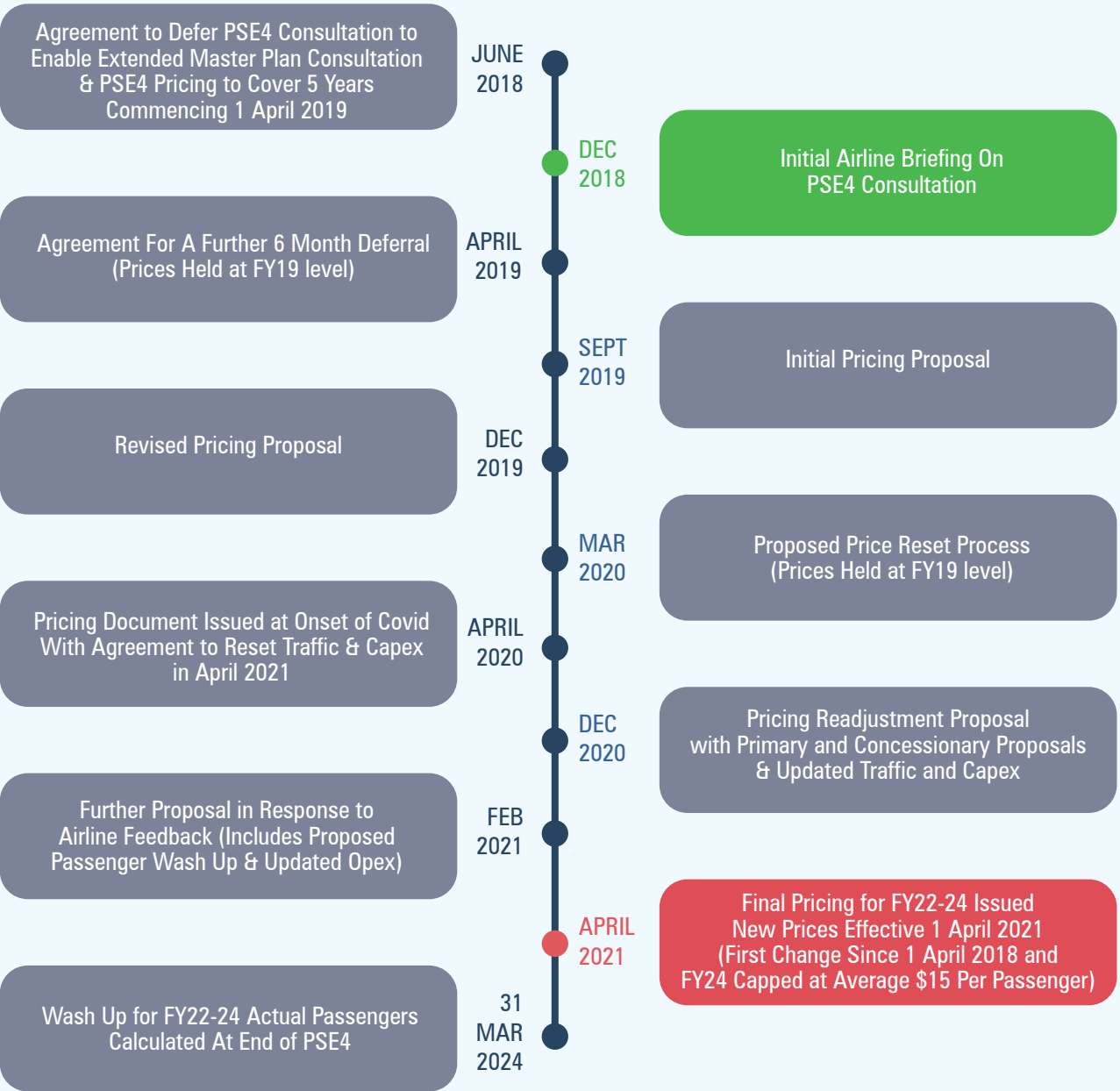
### Pricing challenges

Like other major airports, Wellington Airport sets its charges by dividing its costs over its expected number of passengers. Covid-19 has brought two major challenges: first, the largely fixed costs of maintaining infrastructure assets will be divided over a lower passenger base for future years; and secondly, the ability to predict passenger numbers in the short term has been severely affected.

Wellington Airport, with the support of airlines, sought creative responses to these issues for the time being. However, if passenger numbers remain suppressed, these issues may require longer term solutions.

As summarised above, Wellington Airport has required the support of its capital providers, while experiencing significantly elevated risk, and the need to maintain both critical resilience investment and to prepare for an uncertain future. We believe this experience needs to be reflected in the Commerce Commission's approach to determining acceptable target return on capital for airports. We will be raising this during the Commission's upcoming Input Methodologies Review.

## PSE4 CONSULTATION TIMELINE



## DELIVERING VALUE TO CUSTOMERS AND EARNING A FAIR AND REASONABLE RETURN

Landing charges at Wellington Airport are set to cover the cost of timely infrastructure investment and excellent customer service. They are set through a consultative process where airline feedback is taken into account and we ensure our charges are fair and reasonable for the services we deliver.

Wellington Airport's landing charges are comparable to other airports in New Zealand overall, with slightly higher domestic charges and lower international charges reflecting its mix of passengers. They remain among the lowest of major airports in Australasia, and in the lower range worldwide.

Wellington Airport is targeting an Internal Rate of Return of 5.88% in the current pricing period, including

asset relations at CPI. As noted above, this is below Wellington Airport's estimate of its cost of capital, and is close to the rate of return advocated by airlines during pricing consultation. The rate of return is reduced further to 5.43% when \$20m of deferred price increases is taken into account.

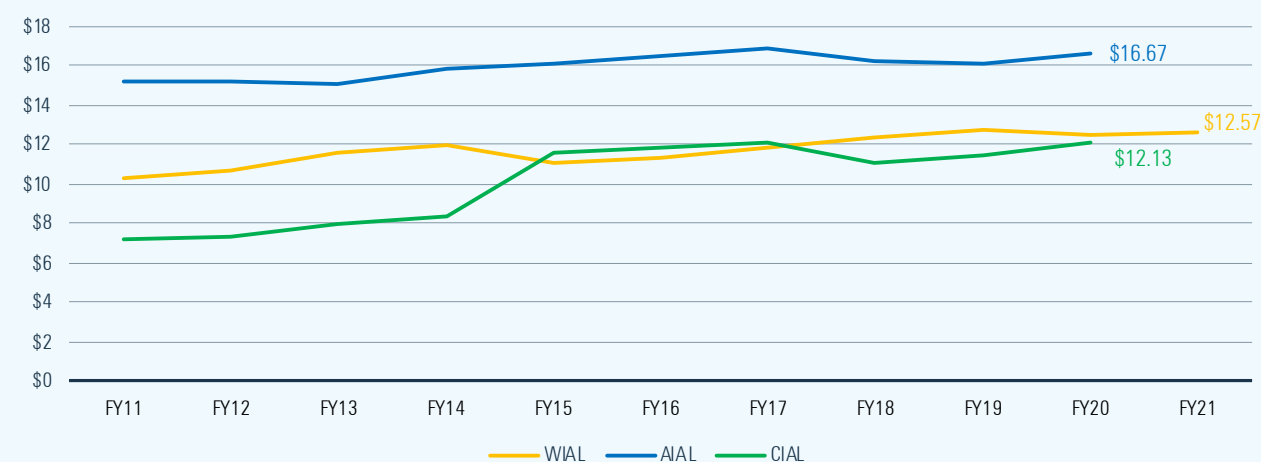
We agreed with airlines to hold prices flat for the first two years of the pricing period, to enable further consultation and avoid price increases when Covid-19 struck. This resulted in a lower return for the FY21 year, with returns expected to recover over FY22-24.

Wellington Airport's average annual return since the start of Information Disclosure is 7.33%, made up of 5.40% cash returns and 1.93% revaluation returns. Overall, earnings have been in line with pricing targets since 2011, demonstrating that Wellington Airport's forecasts have been balanced and have not "gamed" the system by over-forecasting costs or under-forecasting traffic or revaluations.

Photo: Jess Dougherty

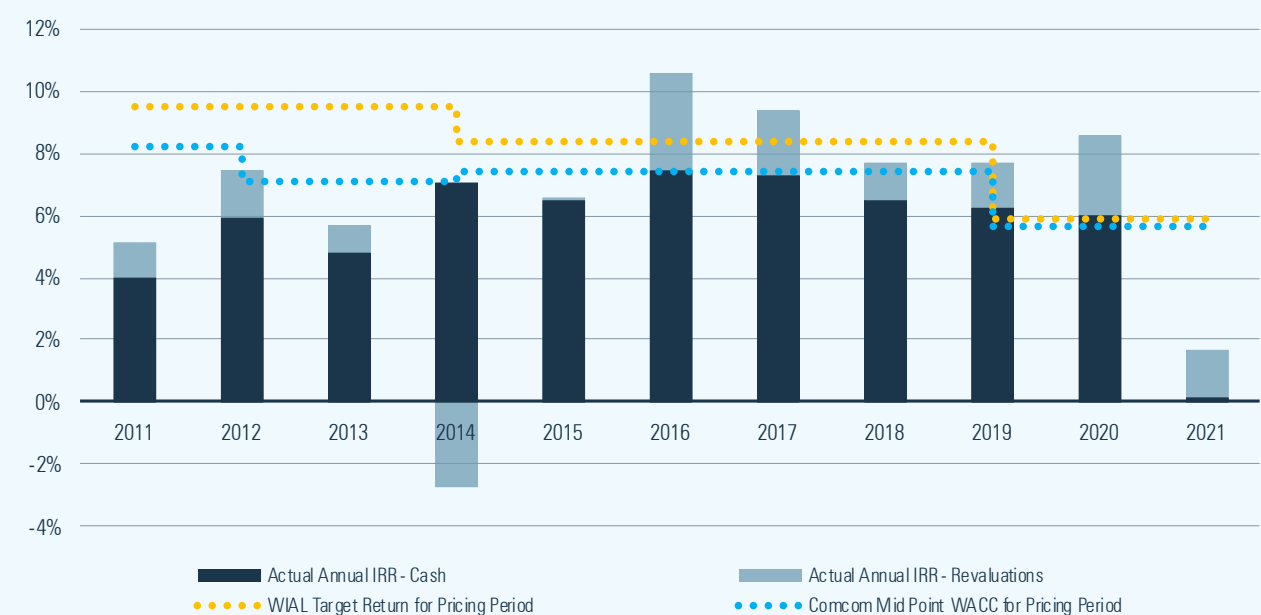


### AVERAGE TOTAL CHARGE PER PAX

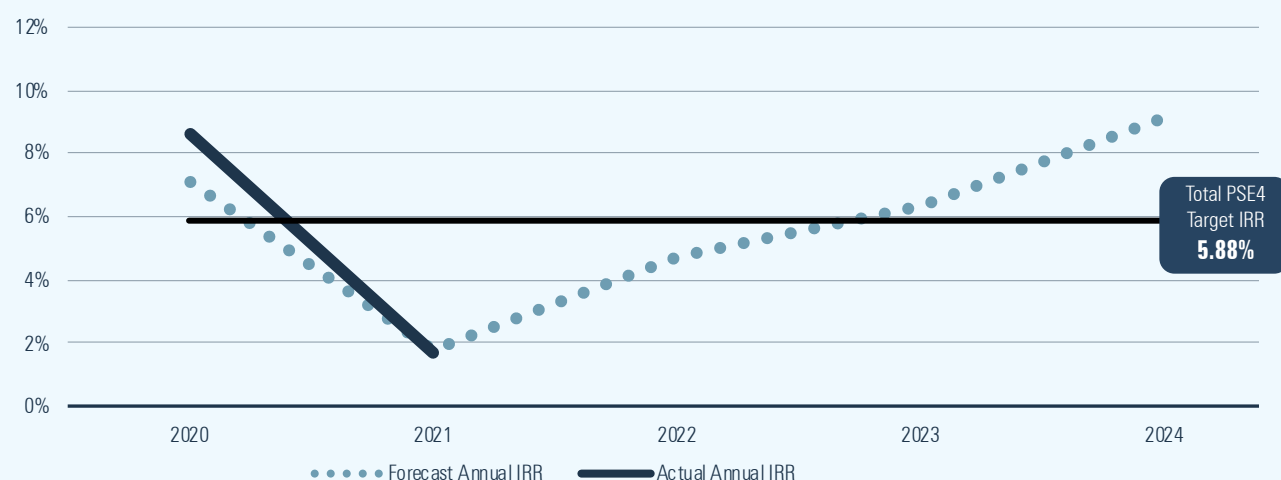


Note – data obtained from each airport's published Annual Information Disclosures

### ANNUAL IRR VS KEY BENCHMARKS SINCE 2011



### ACTUAL IRR OUTCOMES VS PSE4 FORECAST





## SUPPORTIVE CAPITAL PROVIDERS

Over FY2021 Wellington Airport was required to refinance its borrowings in order to secure its financial resilience and deliver necessary operating and safety investment. Lender support was available because the Airport's shareholders provided a \$75.8m commitment of additional equity.

The support of shareholders and lenders and the Airport's expeditious response to management of its business and costs saw it limit its credit downgrade by S&P to BBB (from BBB+). In turn this enabled the Airport to undertake a \$100m bond issue.

The underlying premise of these exhibitions of support is that aviation will recover to pre-Covid levels of activity in a timely way. However, the aviation industry is still dealing with considerable uncertainty. As the future becomes clearer it will be reflected in airline and airport business plans and also the attitude of capital providers and their requirements.

Photo: Jess Dougherty



## WORKING WITH AIRLINE PARTNERS ON SHARED CHALLENGES

Wellington Airport is pleased to enjoy closer relationships with both airlines and government agencies as a result of Covid-19, and working together to address our shared challenges.

The establishment of the Aviation Coalition between airports, Air New Zealand, Qantas, the Board of Airline Representatives of New Zealand, and NZ Airports has created a forum for discussion and shared advocacy.

We are looking forward to working with airlines as tourism and travel eventually recovers. Toward the end of the FY21 year, the reopening of trans-Tasman travel was imminent and we were very pleased to work with airlines and government agencies to re-launch direct travel to Melbourne, Sydney and

Brisbane. We were also in discussions with airlines over further re-openings and new routes. However, at the time of writing this report, trans-Tasman travel has been paused, reflecting the continuing uncertain environment for international travel.

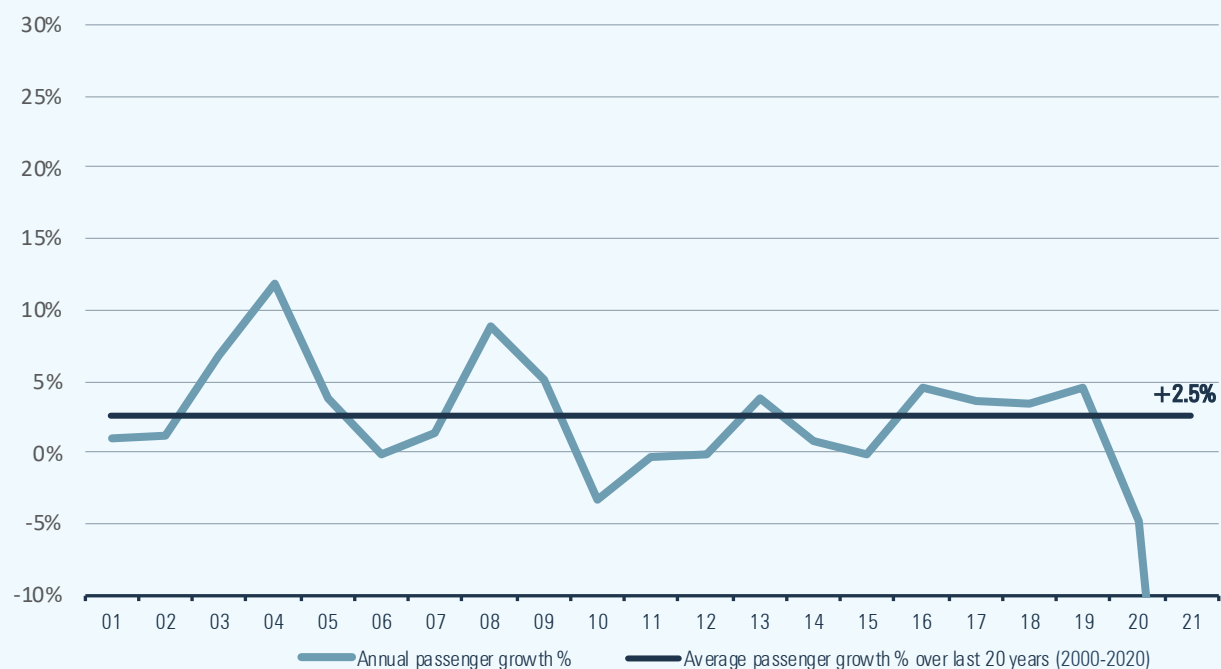
We continue working with Wellington partners including WellingtonNZ, event partners like World of WearableArt® and Wellington on a Plate, and local arts festivals and events to promote Wellington as a domestic travel destination. We will increase our marketing efforts as international links return and seek to rebuild airline partnerships to support the addition of new capacity and to enhance Wellington's air connectivity.

Pictured garments: Uplifting, David Kirkpatrick, New Zealand; Deadly Beauty, Zhang Xi, Donghua University, China; Eye See You Fluffy Kōwhai, Tina Hutchison-Thomas, New Zealand; Underling, Gillian Saunders, New Zealand  
Photo: Mark Tantrum Photography

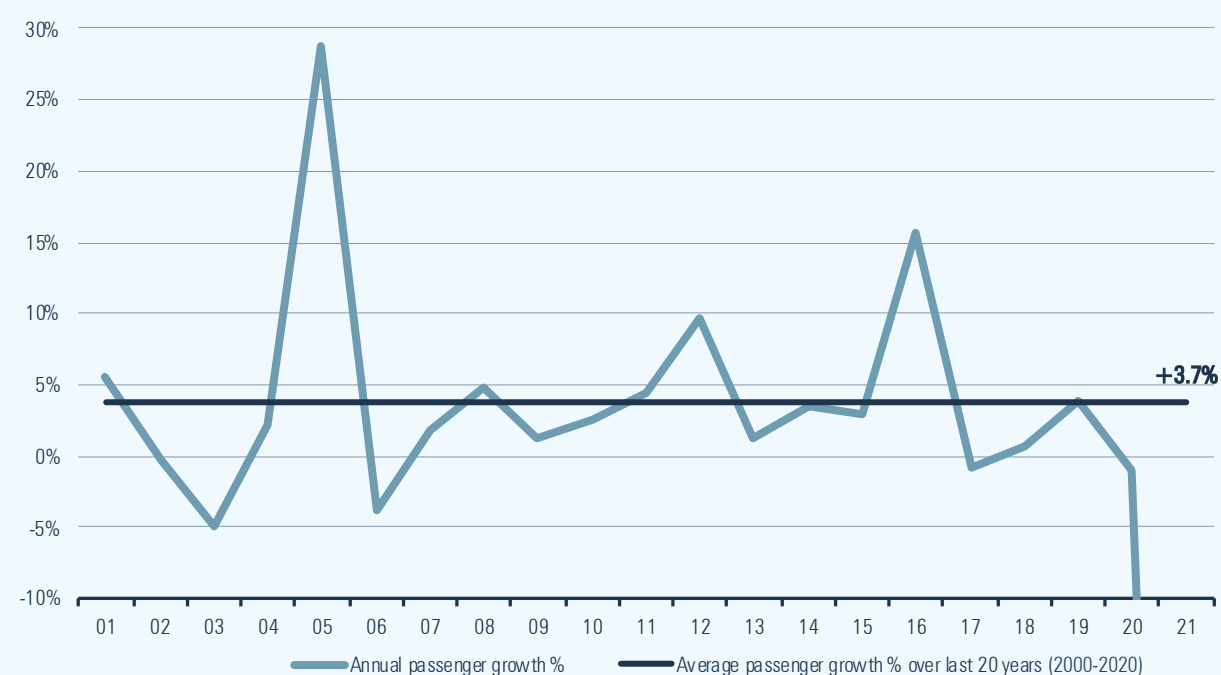




DOMESTIC PASSENGER GROWTH OVER THE LAST 20 YEARS



INTERNATIONAL PASSENGER GROWTH OVER THE LAST 20 YEARS



Wellington Airport is proud to have maintained our commitment to the environment and community in the current challenging environment.

Though several key sponsorships were put on hold due to Covid-19, including the Wellington Airport Community Awards and contributions to major events like World of WearableArt® Awards Show, we retained key relationships and agreements and are in a position to recommence these sponsorships in the future. We have also been able to continue our Quieter Homes noise insulation program for local residents, which has an immensely positive impact on those living within the airport noise boundary.

We remain on track with sustainability targets, and are committed to embedding sustainability across everything we do. Our target is to reduce carbon emissions, waste to landfill and electricity use by 30% by 2030. Covid-19 has helped with this, with a 27% reduction in total energy use and 39% reduction in gas use. While a large part of these reductions is obviously attributable to reduced operating hours during the pandemic, they also reflect wider efforts to reduce energy use which will be continued in future years.

Our waste volume has also significantly decreased as a result of lower passenger numbers, however the volume of waste to landfill for every 100 passengers has also reduced from 7kg to 5kg/100pax. We are continuing to work on initiatives to reduce and divert waste from landfill. During the major runway resurfacing project (see page 6), we were able to recycle 100% of the asphalt removed from the runway for reuse in the Transmission Gully project – a total of 17,900 tonnes.

Once again, we achieved a 4\* GRESB rating, which reflects our international Environment, Social and Governance benchmarking. Our overall score was 78/100.

GRESB reports are an alternative. Rather than an external agency creating subjective (and inconsistent) scores, the GRESB template is tailored for each participating company and completed by

the company. A number of mechanisms ensure the information provided is honest. GRESB was established in Holland in 2009 to provide ESG rating of real estate companies for institutional investors. Its remit was later expanded to include a wider range of companies and it is widely used by institutional investors to assess the ESG performance of companies they invest in or may invest in. Wellington Airport's GRESB report is 76 pages and publicly available for anyone interested, but the key findings are summarised in the infographics on page 20.

We have commenced work to better develop our understanding of climate-related risk. This includes initiating scenario analyses to inform our infrastructure planning in a range of climate change scenarios. Being surrounded by water and situated toward Wellington's southerly storms, we take the risk of sea level rise and increased extreme weather events very seriously and incorporate these into all of our resilience planning. We are also working towards our first formal climate-related financial disclosures (TCFD disclosures) and look forward to participating in the XRB's consultative process once they have released draft standards.

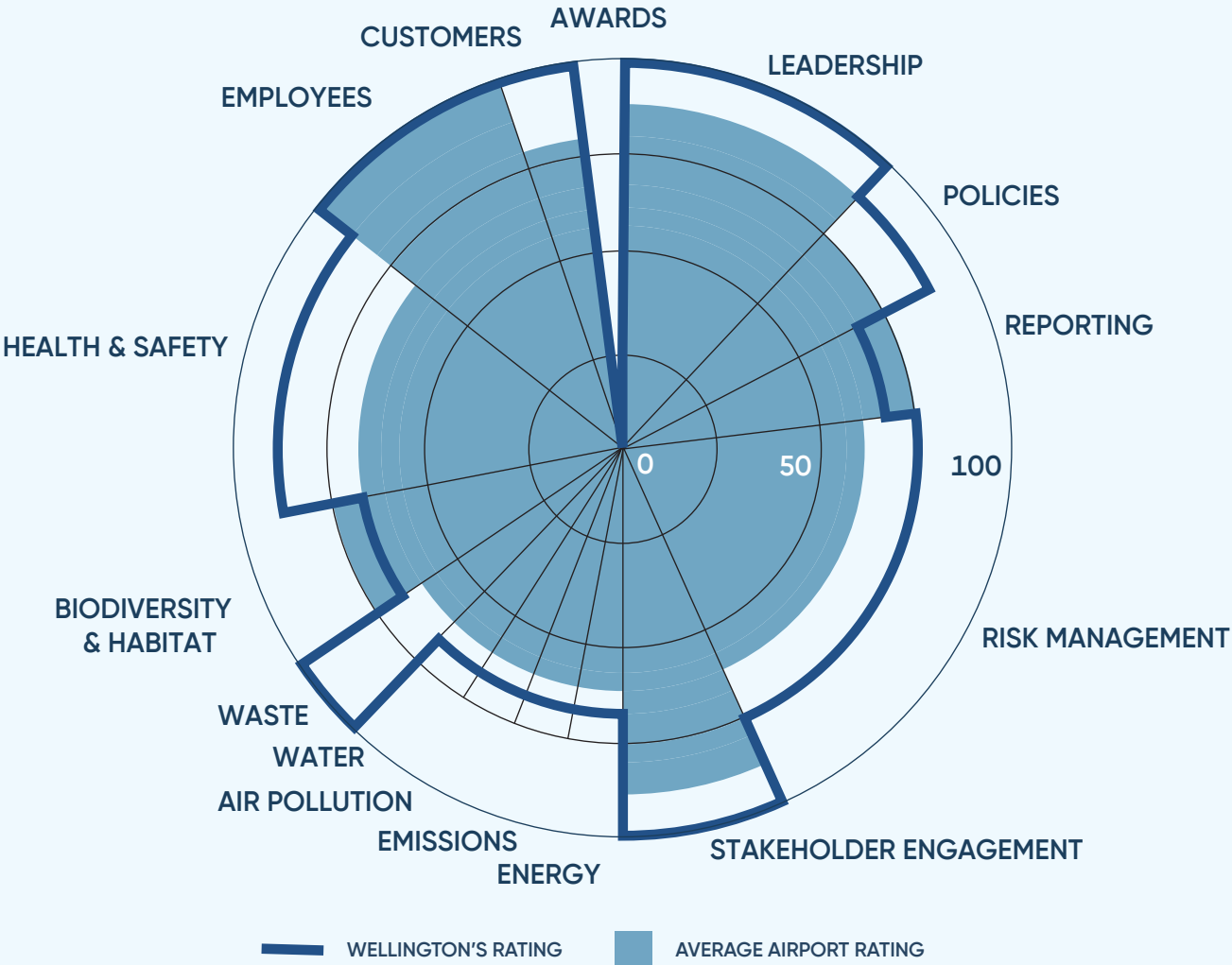
In the coming year, our attention will turn to implementing any policy outcomes from the Government's Emissions Reduction Plan, playing our part in New Zealand meeting its emissions budgets. This is based on the advice of the Climate Change Commission, which recognises the important ongoing role of aviation in New Zealand, while considering options for reducing emissions and harnessing new technology. We will work with airline partners to understand and implement planning for sustainable aviation fuels and electric aircraft.



Wellington Airport is working closely with airlines on plans for electric aircraft. Sounds Air has confirmed orders for three electric aircraft by 2026, to operate between Wellington and the top of the South Island. Photo: Sounds Air



## WELLINGTON AIRPORT GRESB BENCHMARKING REPORT



Notes

The Airport was required to report on 15 areas ranging from Employees (98% score) to Corporate Awards (0%).

The 15 areas are weighted by importance (risk management is the most important at 19.6% while Awards is the least important at 2.4%).

The shaded area is the average score of other airports rated by GRESB. The red line shows Wellington Airport's score.

While Wellington performed credibly relative to other airports scored by GRESB, to understand the score it is useful to look at the details. For instance, Wellington scored only 60% on Air Pollution, as there is not widespread air quality measurement in Wellington City against which the Airport can be compared. There is no suggestion of actual air quality issues at Wellington Airport.

Wellington Airport's overall score was 78 against a peer average of 70. The management score was 41 out of 50, compared to a peer average of 38. The performance score was 37, peers 32.

78/100

GRESB sustainability benchmarking score





