

An aerial photograph of Wellington Airport, New Zealand. The image shows the runway, taxiways, and aprons on the left. The main terminal building and several aircraft are visible in the center. To the right are large parking lots filled with cars. In the background, a dense residential area and a large mountain (Mount Victoria) are visible under a clear blue sky. A yellow banner with the text 'WELLINGTON AIRPORT' is overlaid on the top right of the image.

WELLINGTON AIRPORT

SUMMARY OF PERFORMANCE

COMMERCE ACT PART 4
YEAR ENDED 31 MARCH 2022

PUBLISHED 31 AUGUST 2022



CONTENTS

	Summary of Performance	3
	Highlights	4
01	Maintaining essential infrastructure through Covid-19	6
02	Looking after our customers and travellers	9
03	Delivering value to customers and earning a fair and reasonable return	12
04	Environment, sustainability and community	17

SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2022

This was another extremely challenging year for the aviation industry around the world and it was no exception for Wellington Airport. We are proud to have weathered the storm and be well prepared for re-connecting with the world.

The impacts of Covid-19 were significant during the year with two nationwide lockdowns and an extended lockdown period for Auckland in late 2021. This meant our total passenger numbers were 25% below forecasts for the financial year FY22, and 83% below for international passengers.

We have responded since the onset of Covid-19 by pausing investment in growth-driven projects, reconsulting with stakeholders, and resetting the Masterplan timing accordingly. We also continued our focus on managing cashflows, including prioritising capital investment and retaining the cost savings achieved over FY21 wherever possible.

At the same time, we continued to progress essential works needed for regulatory, resilience and safety reasons. This included beginning reconstruction of our main apron taxiway for the first time since the Airport opened in 1959.

Despite the challenges of Covid, we continued to support our local community where possible through sponsorship of events, including the Wild at Heart Spirit Awards and Wellington Airport Regional Community Awards.

We have also progressed important work on improving sustainability, both as an airport and for the wider aviation industry. We were proud to welcome our first electric flight and continue progress towards our goal of a 30% reduction in total emissions, waste to landfill and potable water use by 2030.

The year ended on a much more positive note as we once again welcomed back flights from Australia on 31 March 2022. Since then, both domestic and international travel has rebounded strongly and we are well placed for an ongoing recovery of passengers and visitors.

HIGHLIGHTS



Reconstruction of our main taxiway underway



Photos: Top Left: David Hamilton, Centre: DPMC,
Bottom: Taxiway reconstruction in progress.

Worked closely with airlines and Government to operate safely through Covid-19

97% of respondents say they felt safe travelling



First electric flight landed at Wellington Airport



International borders re-opened on 31 March 2022



Photos: Mark Tantrum and Jeef MacEwan

65% of survey respondents rate Wellington Airport 'better' or 'much better' than other airports visited



Zero serious harm incidents to our staff, customers or stakeholders

01 ONE

MAINTAINING ESSENTIAL INFRASTRUCTURE THROUGH COVID-19

Once again Wellington Airport has carefully managed capital expenditure through a challenging year.

We have kept our aeronautical capital expenditure to \$77.1 million for the Price Setting Event 4 (PSE4) period to date, focussing on essential projects to improve our infrastructure resilience and enable future development.¹

While Covid-19 has slowed our progress over the last two years, the Airport's Masterplan remains our blueprint for the future. We remain one of the most land-constrained airports in the world and the forecast population increase for Wellington reinforces the need to plan ahead.

To this end we have begun reconstruction of our major taxiway, named Taxiway Bravo, for the first time since 1959. This is essential upgrade work required for safety reasons, but will also improve our resilience and stormwater management. It includes a more resilient lighting system and importantly enables future apron development as part of our Masterplan.

Work has also begun on constructing a new electric bus terminal and rental car space at the former Miramar South School site, following consultation with local residents.

We have also progressed plans for the Airport's new fire station on Coutts Street, which will replace an ageing Fire Service building with new facilities. As with the new rental car space, this will create more space for aviation purposes on the main airport site as per our Masterplan.

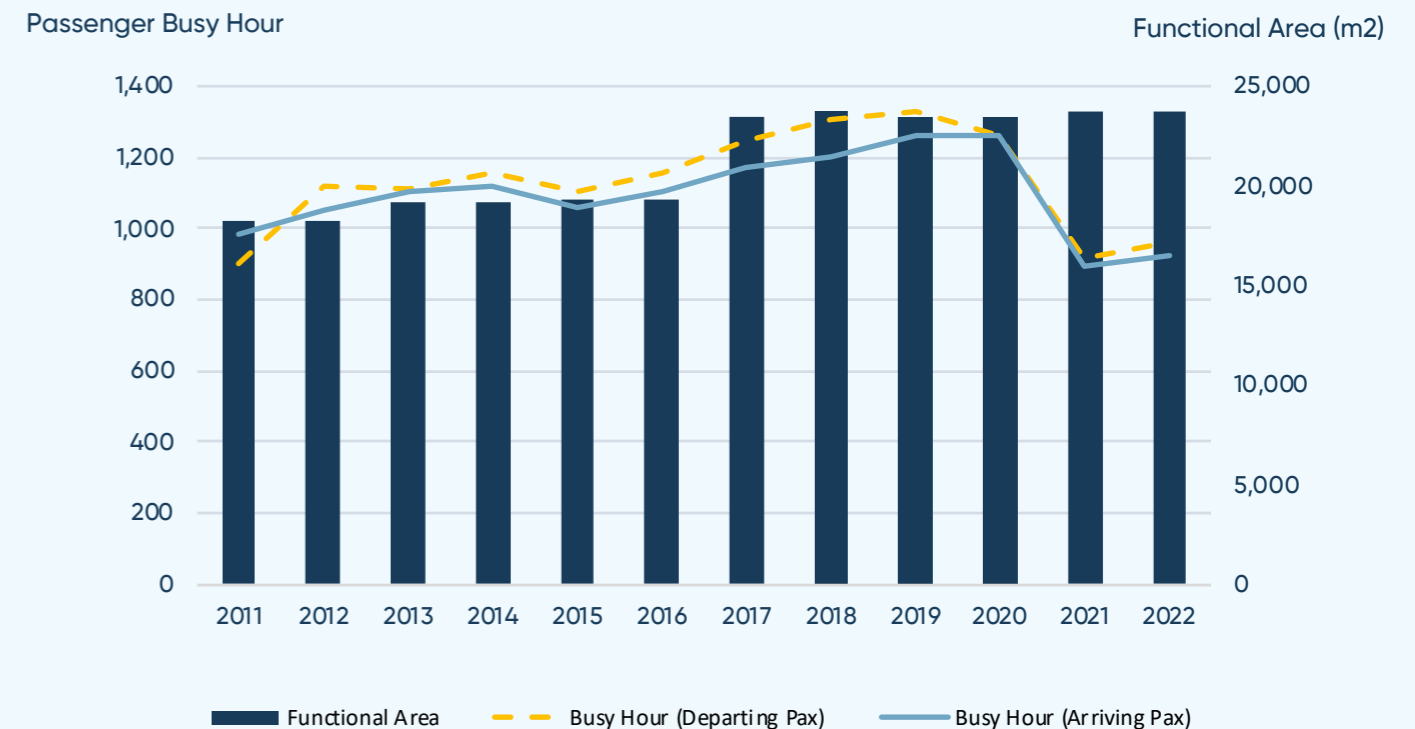
Looking ahead, replacement of our seawalls will be a major infrastructure priority as they approach the end of their lifespan. This infrastructure plays a crucial role in protecting our runway from storms and rising sea levels, two issues which are likely to intensify in future. The western seawall also protects roading and the major city sewer pipes to and from Moa Point.

Other projects completed over the last year include seismic resilience improvements in terminal and carpark buildings, and important baggage handling system upgrades. The Quieter Homes programme has also continued with the noise insulation of 91 homes now complete, despite the challenges of Covid-19.

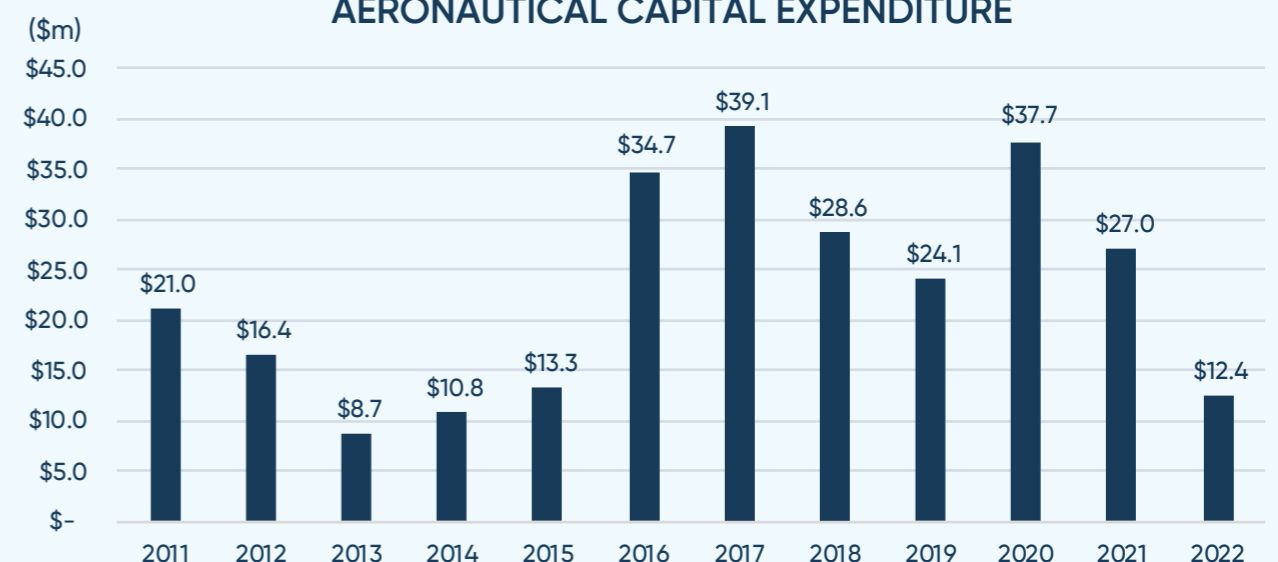
¹ PSE4 covers the five-year period from 1 April 2019 - 31 March 2024. PSE4 forecasts were completed part way during PSE4, incorporating actual results for FY20 and most of FY21, while also factoring in the expected impacts of Covid-19 on FY22-FY24 at the time of finalising.



TOTAL TERMINAL AREA CAPACITY AND PASSENGER DEMAND



AERONAUTICAL CAPITAL EXPENDITURE





TWO LOOKING AFTER OUR CUSTOMERS AND TRAVELLERS

A strong focus on the customer is part of our culture at Wellington Airport and it's pleasing to see positive feedback over the last year.

Our regular Airport Service Quality (ASQ) surveys are not available for the FY21 period as they were suspended in response to Covid-19, but these have now resumed at the airport.

We undertook our own customer surveys during this period which show passengers are highly satisfied with their experience at Wellington Airport. In particular, we rated very highly for cleanliness, retail and hospitality options, helpfulness of staff and ease of navigating the terminal.

Covid-19 created challenges in keeping people safe and the airport operating smoothly. We worked closely with Government agencies, airlines and other airports to implement changes required by the Government's Alert Level and Traffic Light response systems.

It's therefore pleasing to see 97% of respondents say they felt safe travelling despite the Covid-19 situation.

As part of our efforts, we ran an onsite vaccination programme which played a key role in protecting our frontline workers and keeping Wellington Airport operating during a challenging time. In total, 2000 jobs were administered over a six-week period with the help of nurses from the Karori Medical Centre. Those vaccinated included Airline staff, AVSEC employees, retail staff and Wellington Airport workers.

In other areas, a common theme of passenger feedback was a desire to see the return of a bus service. Therefore it's very pleasing to see the new Airport Express electric bus service start in July 2022 which should go a long way towards satisfying this demand.

There were no serious harm incidents to our staff, customers or stakeholders during the reporting period.

Left: An onsite vaccination for frontline workers administered 2000 jobs over a six-week period. Below: Photo by Mark Tantrum.



CUSTOMER FEEDBACK

97%

say it is 'easy' or 'very easy' to find way around terminal

84%

rate our staff as 'very' or 'extremely' helpful

87%

are 'satisfied' or 'very satisfied' with shopping and hospitality options

65%

rate Wellington Airport as 'better' or 'much better' than other airports

“

“Wellington Airport is buzzing this morning!”

“Hey friends, I just wanted to send a note to acknowledge the great work your team have done to create a relaxing and enjoyable atmosphere when travelling from Wellington Airport. I’m currently sat at the Fortune Favours bar listening to a wonderful musician. It’s the perfect end to the week, and a true reflection of the ‘Wellington experience’.”

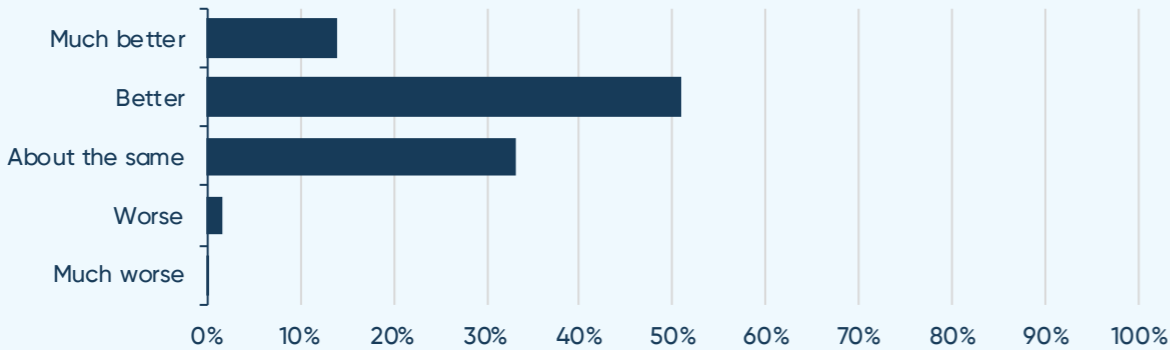
“Wellington Airport are a fantastic forward thinking organizing to deal with. Thank you to all of the team there and the extended stakeholders that make the work there a pleasure.”

“The hidden disabilities initiative is a super one, and I commend Wellington Airport on their efforts. Thank you to everyone involved.”

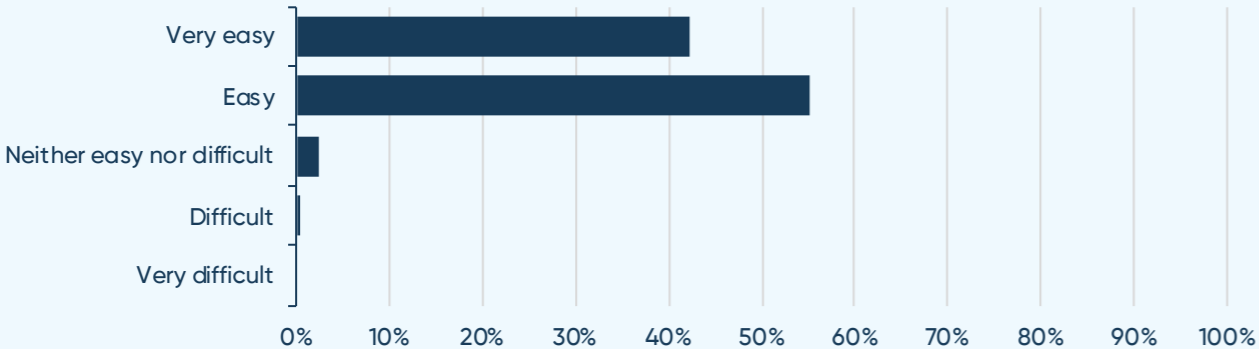
“What an awesome vibe in the terminal today!”

”

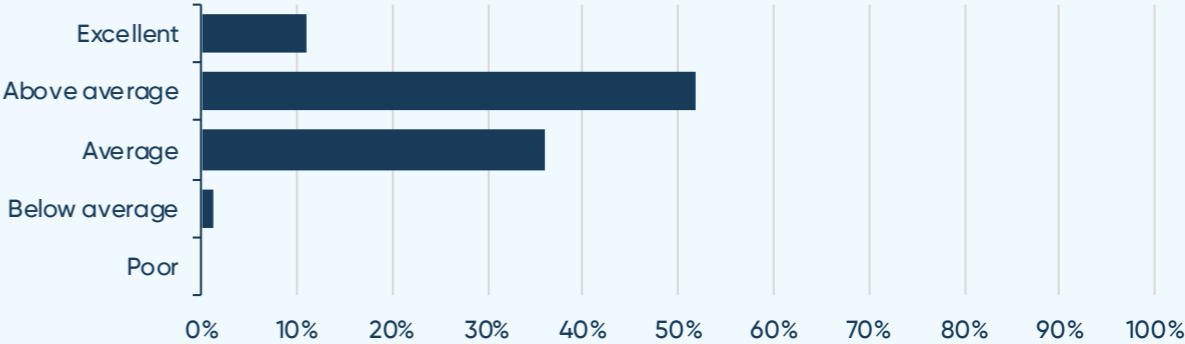
RATING COMPARED TO OTHER AIRPORTS VISITED



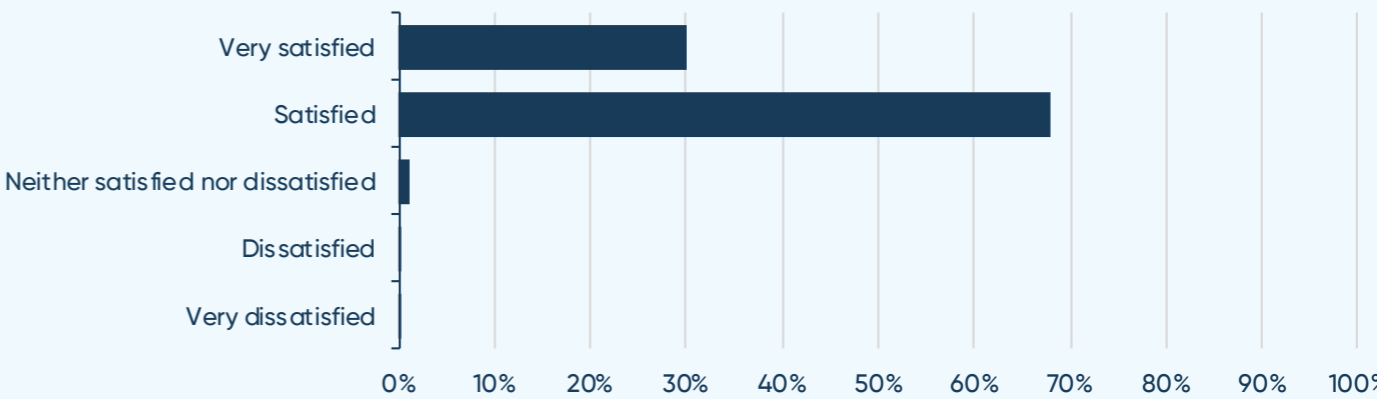
EASE OF FINDING WAY AROUND TERMINAL



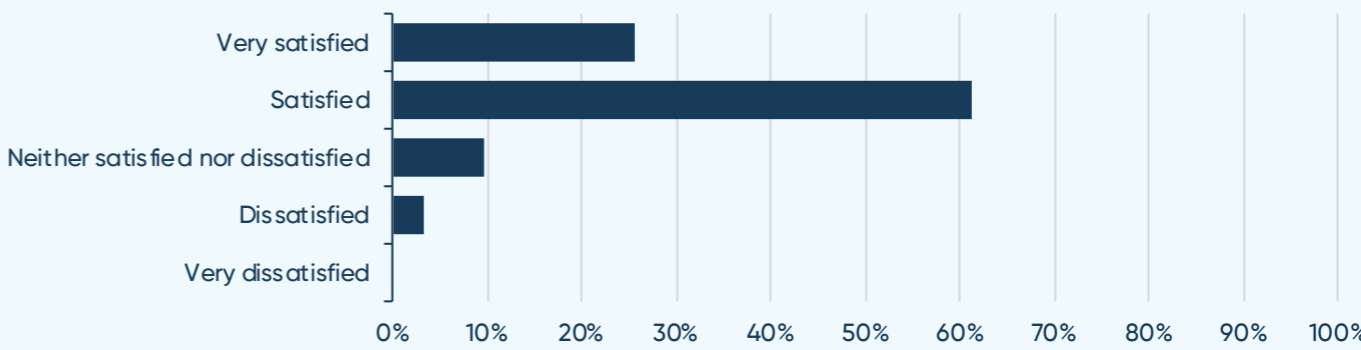
COMFORT OF WAITING AREAS



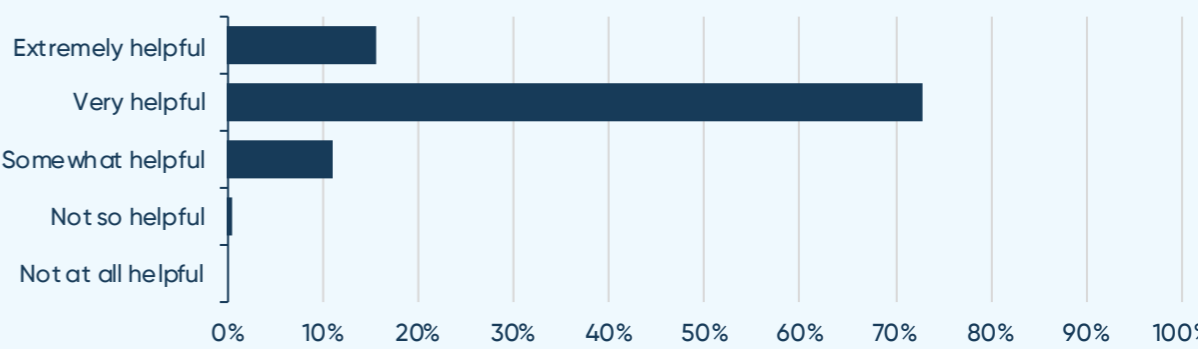
SATISFACTION WITH CLEANLINESS OF FACILITIES



SATISFACTION WITH RETAIL, FOOD, & BEVERAGE OPTIONS



HELPFULNESS & FRIENDLINESS OF STAFF



DELIVERING VALUE TO CUSTOMERS AND
EARNING A FAIR AND REASONABLE RETURN

Aeronautical charges at Wellington Airport are set to deliver value to our airline customers, while covering the cost of timely infrastructure investment and providing excellent customer service.

The charges are set through a consultative process where we seek to ensure they are fair and reasonable for the investment and services we deliver.

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

Passenger numbers and aircraft movements for FY22 are still recovering to pre-Covid levels and reached 3.5 million passengers for the year. As a result, certain measures in the Annual Disclosures should be considered in the context of these reduced volumes and the impacts of the pandemic on aviation.

PSE4 Consultation & Pricing Decisions

Wellington Airport worked hard with its airline customers during the PSE4 period to address the impacts of Covid-19 on the aviation industry. Our approach was to minimise price disruption, find solutions to shared challenges, and reduce the impact of pricing on airlines at this time. Examples of this include:

- Prices were held at FY19 rates throughout FY20 and FY21 to enable extended consultation on capital expenditure and to avoid a potential price increase while the industry grappled with the impacts of the pandemic.
- We resized the business to achieve significant cost reductions, resulting in an \$18.6m (13%) reduction in forecast operating expenditure for the price period.
- Capital expenditure was rephased to align with demand and the PSE4 forecast spend was subsequently reduced by \$243m.

- We set a concessionary price path targeting an average \$15 per passenger charge at the end of PSE4 and deferring \$20m revenue to PSE5 (\$15.1m post tax).
- A passenger wash up will be calculated at the end of PSE4. This effectively provides a passenger volume risk share arrangement with airlines and was a sensible approach to addressing ongoing uncertainty in the Covid-19 environment.

Wellington Airport is targeting an Internal Rate of Return (IRR) of 5.88% post tax across PSE4 including asset revaluations. This is below the Airport’s estimate of its cost of capital for the period of 6.08% and is close to the rate of return advocated by airlines during pricing consultation.

Returns for FY22 and PSE4 Period-to-Date

The IRR for FY22 was 7.95%, above forecast for the year of 4.73%. This primarily reflects the impact of high inflation (6.93%) on indexed asset revaluations for the year.

Excluding asset revaluation uplifts, the IRR for the year was 0.81% against an adjusted forecast of 4.05%. This reflects the large reduction in passengers and revenue due to Covid-19.

The period-to-date IRR after three years of PSE4 is 6.06% compared with forecast of 4.55%, or 2.33% versus forecast of 3.07% excluding asset revaluations.





Long-Term Returns

An assessment of airport performance should consider both past and forecast returns. Airports are long-term cyclical assets and as a result any analysis should be based on a time series of data, rather than any one period in isolation.

Wellington Airport's actual IRR for FY11-FY19 (i.e. prior to PSE4) was 6.99%, equating to a \$12.8m net present value (NPV) cumulative deficit compared with the Commerce Commission's midpoint weighted average cost of capital (WACC).

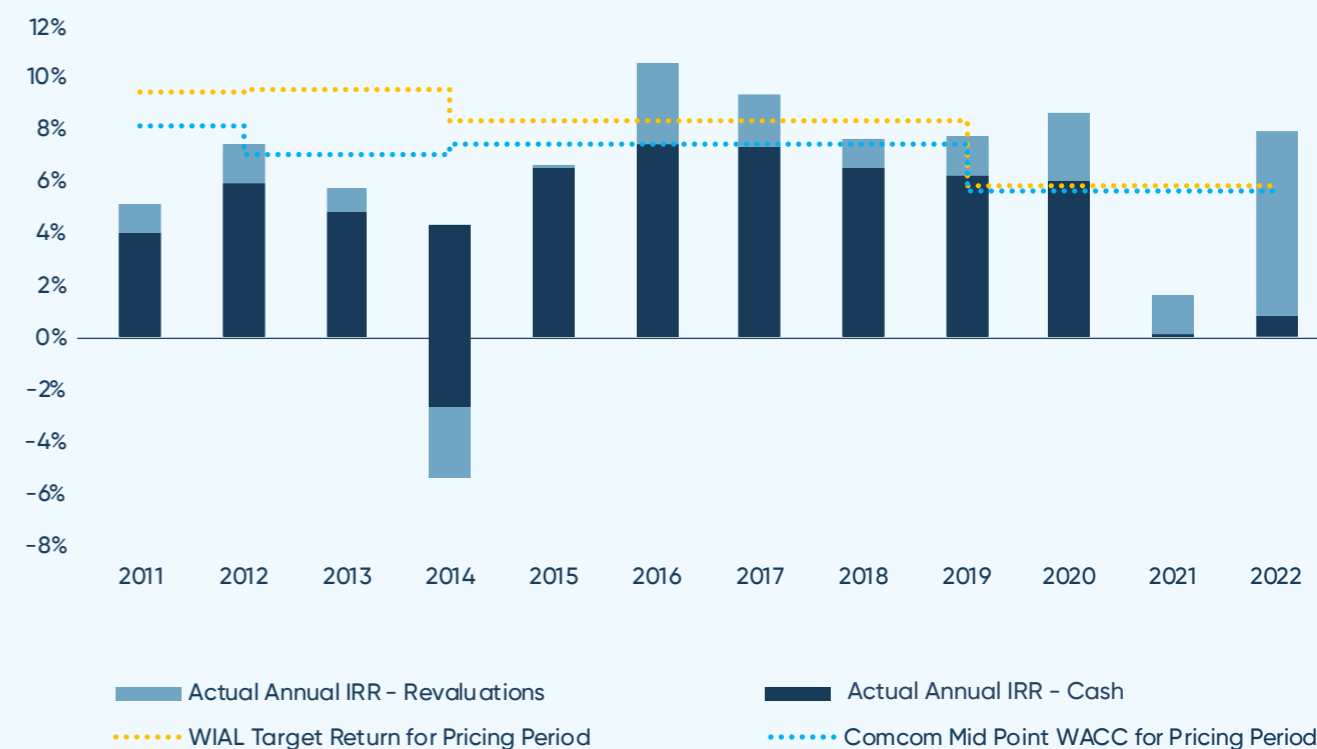
Wellington Airport's average annual return since the start of Information Disclosure is now 7.35%.

This shows the airport has not earned, and is not expecting to earn, excessive returns on its regulated activities and long-term returns are in line with the level considered reasonable by the Commerce Commission.

The historic variation in annual returns also reflects the wide range of risks and complexity inherent in an airport business. It also demonstrates the need to consider cumulative returns over a longer period of time.

Photo: David Hamilton

ANNUAL RATE OF RETURNS





Wellington Airport is proud to have maintained our commitment to kaitiakitanga and the local community over a challenging period.

We have made continuous strides towards our goal of a 30% reduction in total emissions, waste to landfill and potable water usage by 2030 (based on an FY17 baseline).

A reduction in passenger numbers due to Covid-19 meant a corresponding drop in Scope 1 and 2 emissions, and we have put a strong focus on decoupling growth in emissions, water usage and waste from passenger numbers as travellers return.

To this end we have continued a roll-out of electric vehicles (EVs) across our Airside Operations and Facilities vehicle fleets. EVs now comprise 33% of the total fleet and we have installed multiple charging stations to support this.

Good progress is being made on reducing energy usage as part of a two-year project with Lumen to analyse our Building Management System (BMS). Within the first year we have achieved a 4.8% reduction in heating, ventilation and air conditioning energy consumption and are aiming for a 10% reduction overall.

The previous year also saw an exciting milestone with the arrival of the first ever electric plane to cross Cook Strait. We are committed to being a pioneer in sustainable aviation, helping our airline partners decarbonise air travel while maintaining vital connectivity.

We are proud to be the technical lead for the Electrification of Regional Aircraft project, in tandem with GHD, Sounds Air, Air New Zealand, Blenheim, Nelson and Christchurch Airports. This group is looking at the charging requirements to support electric flights which are planned to commence later this decade. We are also working on our future electricity requirements to support this transition.

Adapting to climate change is an important priority and we have worked with Beca to consider the physical impacts this will have on Wellington Airport

out to the end of the century. This work has shown we are a resilient airport with much of our infrastructure well-prepared for anticipated changes in weather, temperature and coastal conditions.

We have also worked with Auckland and Christchurch Airports to analyse the transition risks as we move towards a zero-carbon future. This work will be integrated into our very first climate-related disclosures (TCFD) report to be released next year.

This year we carried out an audit to better understand the waste that moves through the airport terminal. This showed us that out of 241 tonnes of general waste, only 24% needed to be there. The remainder could be handled through glass, paper and cardboard recycling or organic disposal streams. With this information in hand, we are developing a four-point plan to reduce the amount of waste unnecessarily ending up in landfill.

Another big step in our waste reduction goal is developing a Community Garden. In partnership with For the Better Good (FTBG), this garden will take some of the airport's waste material and use it to grow fruit and vegetables. It will also be a valuable community asset as a source of gardening and composting knowledge.

Finally, despite the financial challenges we were proud to continue much of our community sponsorship. This includes events like the Wild at Heart Spirit Awards and Wellington Airport Regional Community Awards.



Pictured: Left photo by Mark Tantrum.
Above: For the Better Good's Edible Earth Garden in Cannons Creek Porirua. We are working in partnership with FTBG to develop a community garden on site.

