



COMMERCE ACT PART 4

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SUMMARY OF PERFORMANCE
YEAR ENDED 31 MARCH 2023

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SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2023

Last year saw a welcome return to normality as our first full year of travel without major Covid disruptions since 2019.

Wellington Airport’s passenger numbers and aircraft movements have recovered strongly from the impacts of Covid-19 with 5.3 million passengers travelling through the airport in the year ended 31 March 2023 (FY23), compared to 6.2 million passengers pre-Covid in FY20.

Certain measures in these disclosures should therefore be considered in the context of the reduced volumes and this ongoing recovery.

We are responding to this recovery in passenger demand by prioritising new infrastructure at the required time and scale. This ensures the airport continues to provide quality, safe and efficient facilities along with aeronautical charges that represent value for money.

These infrastructure projects have carefully focussed on improving our resilience and meeting traveller demand. This is especially important given our limited land area and the forecast continued rise in population and traveller demand.

We have loved having more people back in the terminal and are proud of the customer experience we offer. This is reflected in a busy calendar of events and displays, along with strong customer survey results.

We have also made large strides in caring for our people, environment and community. A highlight is a 39% reduction in emissions since 2017 and our target to reach net zero by 2030.





HIGHLIGHTS

4.1 out of 5 average score for ASQ passenger survey 2023

★ 4.1

Rated **third in world** for airport sustainability by GRESB*

5.26 million passengers (4.7 million domestic, 560,000 international)



Our first full year of travel **without Covid disruptions** since 2019

*Amongst participating airports by GRESB as part of their independent global assessment

➔ New **warm roof** for international terminal

Taxiway Bravo reconstruction progressing well and **nearing completion**



Target of **net zero emissions** by 2030

12.9 hectares of **development rights** secured



New biometric '**face scanning**' technology for Qantas bag drops



Airport Express **electric bus service** and depot launched

Zero serious harm incidents to our staff, customers or stakeholders

➔ **Reduced energy usage by 14.7%** in main terminal building

14.7%

\$100m of inaugural sustainability linked lending – financing costs aligned with our sustainability goals

INFRASTRUCTURE FOR RESILIENCE AND GROWTH



Wellington Airport is investing carefully in our infrastructure to ensure we are ready for the future.

The emergence of Covid-19 had a significant impact on travel demand and we responded by pausing investment in growth-driven projects, reconsulting with stakeholders, and resetting the 2040 Masterplan timing.

Through this process, forecast capital expenditure for Price Setting Event 4 (PSE4 – from FY20 to FY24) was reduced from \$540m to \$299m and several key projects were deferred into future pricing periods.

We were reaching terminal capacity in certain areas pre-Covid so the reduction in passengers has meant we have been able to defer some infrastructure plans. We are also working hard to put in place interim works to optimise terminal space before more substantial expansion and redevelopment works.

We have focussed on programmes essential for futureproofing in terms of physical resilience and meeting traveller demand which is rebounding strongly.

This has included a new electric bus charging facility on the site of the old Miramar South School, just the second of its kind in New Zealand. The site also has space for rental cars, helping free up valuable space in the main Airport precinct for aviation support facilities.

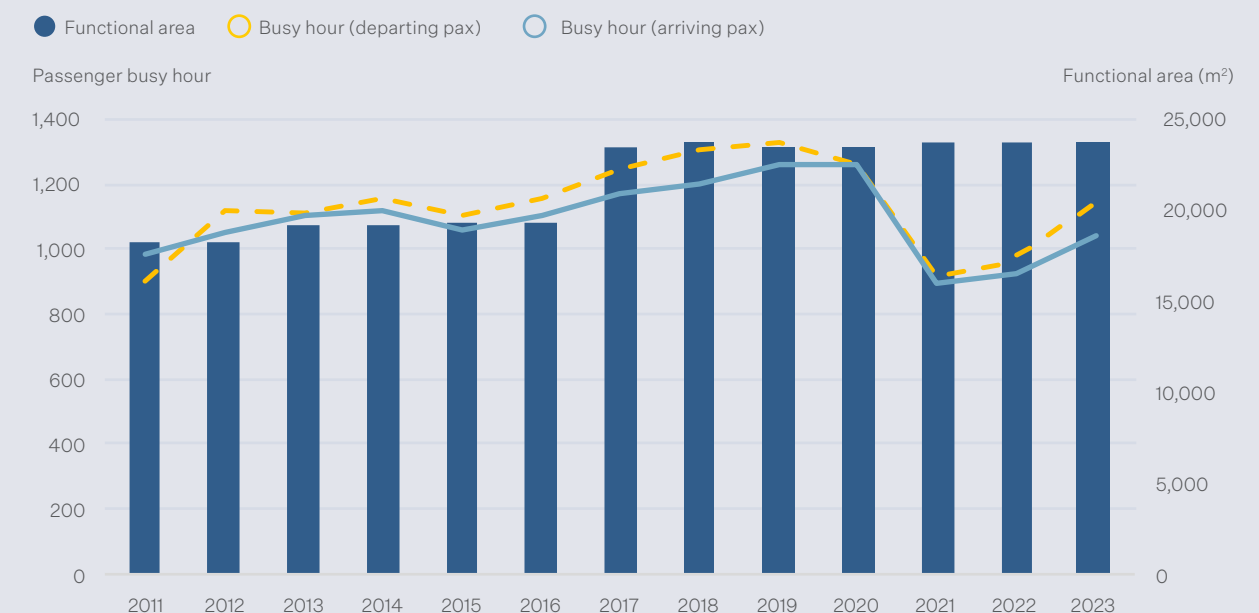
Preparation work also began on an Airport Fire Station on Coutts Street in Rongotai and construction of a new Ground Services Equipment (GSE) workshop at the southern end of the airport. All of these projects are freeing up much-needed space.

Reconstruction of Taxiway Bravo is nearing completion, and important seismic resilience upgrades of our buildings continue. These works were able to be undertaken at a time when the airport was less busy, which resulted in less disruption to travellers, improved efficiency and lower cost.

Planning has also begun for the vital upgrade of our marine defences south of the runway. This work is vital in protecting the runway from storms and rising sea levels which are likely to intensify in future.



TOTAL TERMINAL AREA CAPACITY AND PASSENGER DEMAND



AERONAUTICAL CAPITAL EXPENDITURE





PROVIDING HIGH QUALITY TRAVELLER SERVICES

Providing a high-quality service to airport users is a strong focus for Wellington Airport and this is reflected in our positive survey results.

We have restarted ASQ passenger surveys following a temporary suspension because of Covid-19. Overall, the results show a high level of satisfaction with an average result of 4.1 out of 5 across both domestic and international.

PARTICULARLY STRONG RESULTS WERE ACHIEVED IN FY23 FOR:

- Ambience (international)
4.3 ★★★★★
- Check-in waiting time (domestic)
4.3 ★★★★★
- Feeling of being safe and secure
4.2 ★★★★★
- Courtesy, helpfulness of airport staff
4.2 ★★★★★

The main area for improvement is comfort of waiting/gate areas (average 3.7), and work is underway on improvements to the main terminal area including improved seating.

While not evident in the survey results for the year, we are aware that security screening queue lengths and wait times do not meet passenger expectations during peak periods.

We are engaging with Aviation Security to improve this service and consulting on plans to implement passenger tracking technology. This will enable better prediction of passenger flows and inform future operational and investment decisions.

In addition, we are working to improve the resilience of the baggage system to minimise the impact from interruptions to Aviation Security’s screening equipment, and provide a more seamless passenger experience.

The return of a public bus service has been warmly welcomed with the Airport Express proving popular beyond expectations since its launch in July 2022.

We’ve enjoyed providing a range of entertainment and displays in the terminal, including a pop-up ‘Kids Zone’ entertainment over school holidays. We’ve also hosted regular live musicians, DJs and school choir groups.

There were no serious harm incidents to our staff, customers or stakeholders during the reporting period which is a credit to the ongoing focus of our safety and operational teams.



I know it's only a small airport but Wellington Airport absolutely nails it. Lots of space, nice colours, great signage, good passenger flow, a wide range of shops and services in a very well thought-out layout.



Amazingly clean and well presented toilets.



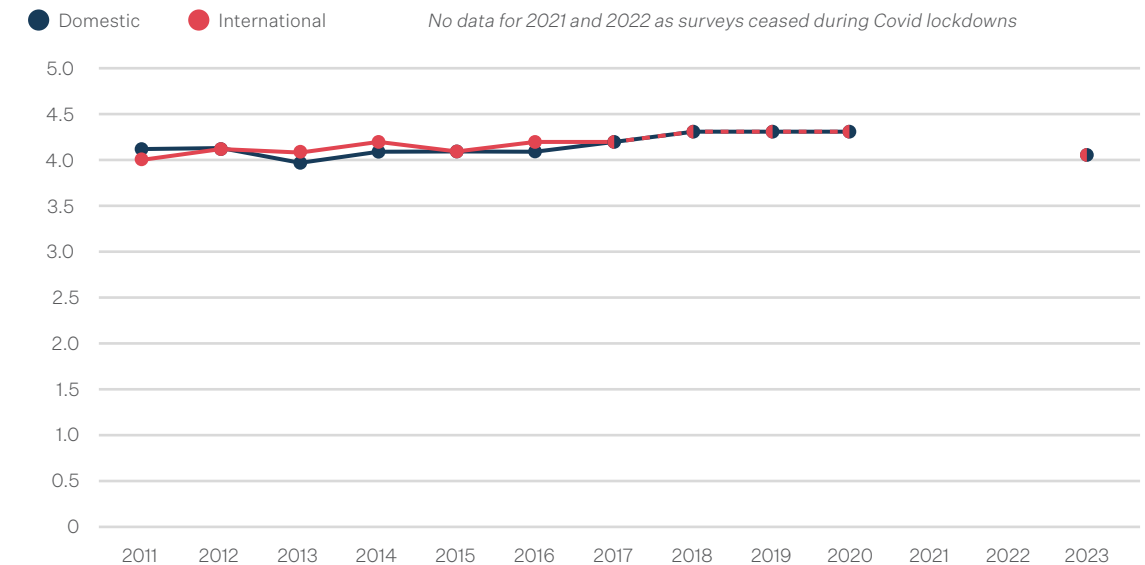
Wellington Airport is wonderful – very clear signs and no confusion.



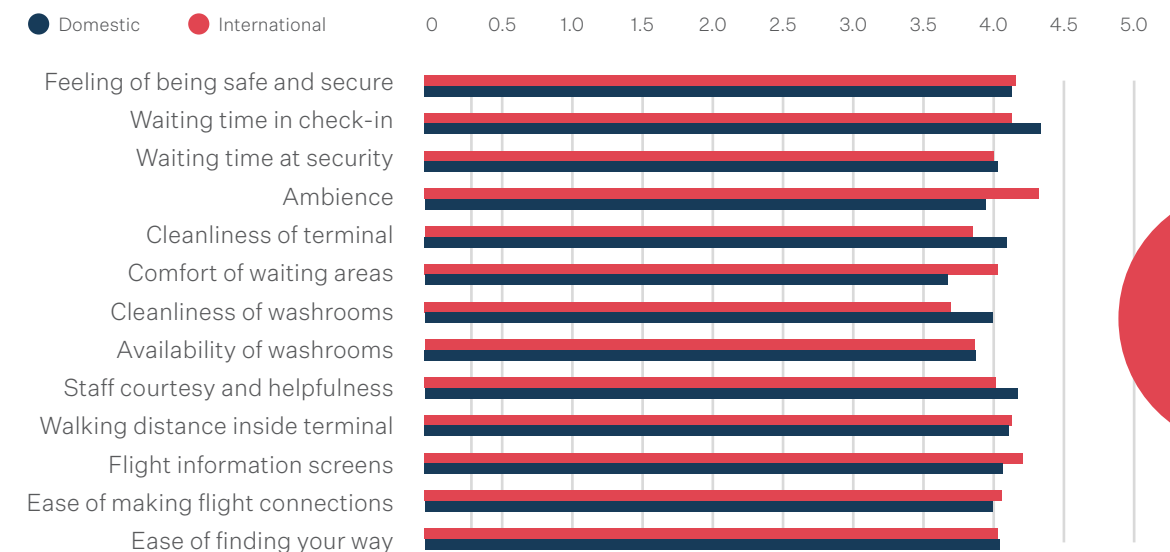
[Kids Zone] was so great last time we travelled in the holidays. We had Gorilla Burger for dinner while the kids happily played (practically a date night for parents with littlies!)



OVERALL ASQ SCORES



ASQ SCORES BY QUESTION



AVERAGE
RESULT
OF 4.1

DELIVERING VALUE TO CUSTOMERS AND EARNING A FAIR AND REASONABLE RETURN



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

The charges are set through an extensive airline consultation process to ensure they are fair and reasonable for the investment and services we deliver.

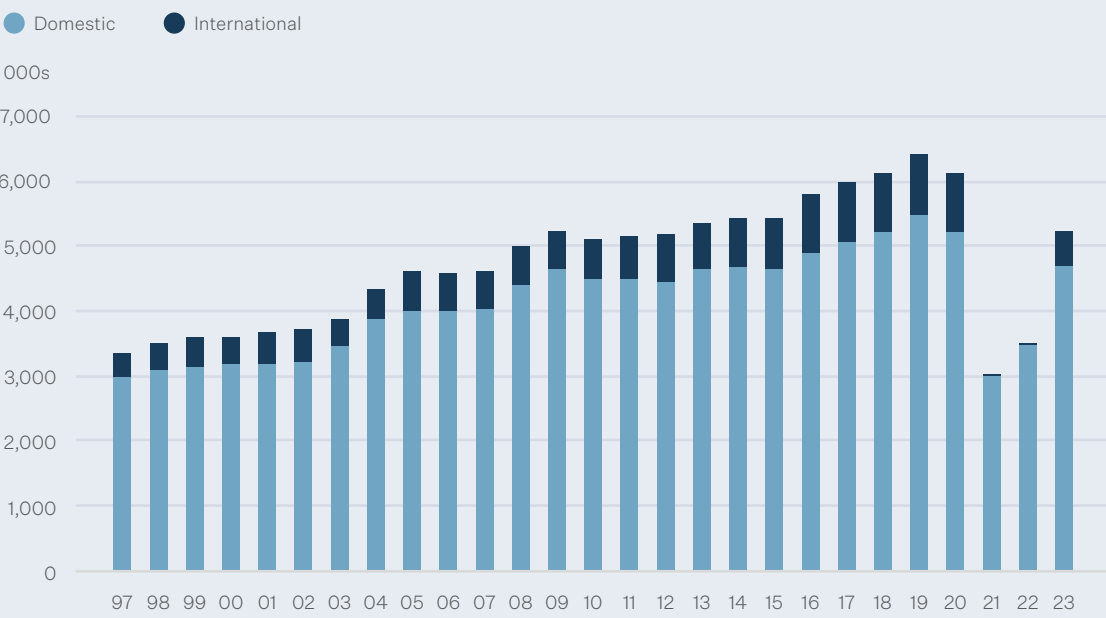
Wellington Airport's charges are comparable to other major airports in New Zealand, with slightly higher domestic charges and lower international charges reflecting our mix of passengers. They remain among the lowest of major airports in Australasia, and in the lower range worldwide.

As shown on the following page, our operating costs have remained relatively stable pre-Covid, with the recent increase in cost per passenger due to the lower passenger volumes during this time, and relatively fixed costs. We remain the most cost-efficient airport with the lowest operating cost per passenger of the main airports in New Zealand.

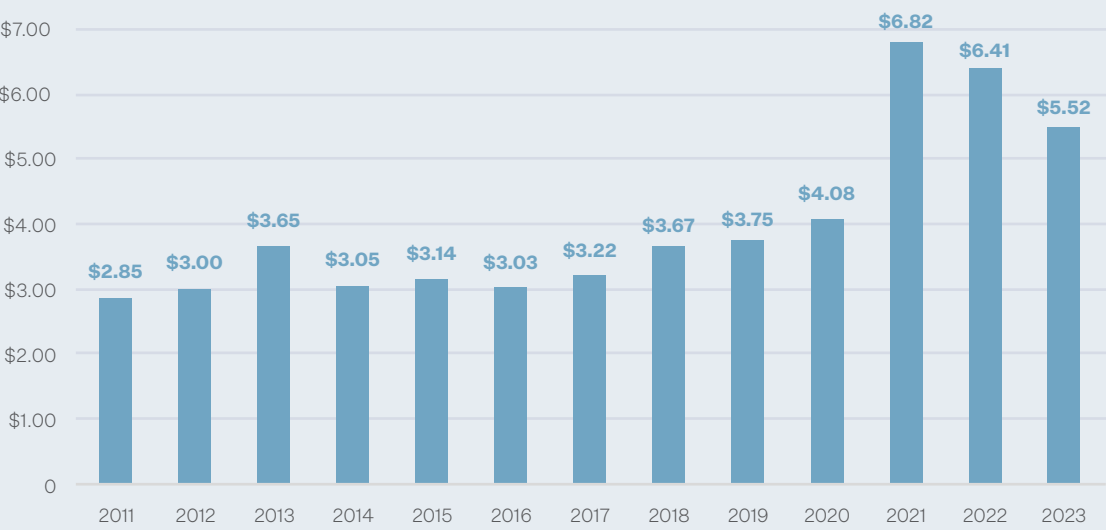
We are proud to have maintained a high level of service reliability with a low level of operational interruptions. We also have the highest ratio of passengers to terminal area for major airports, showing we are highly efficient and make the most of our space.



PASSENGER NUMBERS



OPERATING COSTS PER PASSENGER





Sharing the benefits

Wellington Airport is doing its part to support the recovery of the travel industry and the economies of Wellington and New Zealand. We consulted with airlines to achieve a PSE4 outcome that will drive a return to passenger growth, deliver cost efficiency and reduce the impact of pricing on customers at during what remains a challenging time:

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

- Capital expenditure was rephased to align with demand and the PSE4 forecast spend was subsequently reduced by \$241m.

We believe it is important for airports to enable and promote airline competition so that travellers have improved choice and lower airfares.

Returns for FY23 and PSE4 period-to-date

Wellington Airport targeted an Internal Rate of Return (IRR) of 5.88% post taxation over the five-year PSE4 period. Actual IRR outcomes for PSE4 are summarised below:*

- The IRR for 2023 was 9.61%, above forecast of 6.30%. This primarily reflects the impact of high inflation (6.65%) on Wellington Airport's indexed asset revaluations for the year.
- Excluding asset revaluation uplifts, the IRR for the year was 2.75% against an adjusted forecast of 4.82%. This primarily reflects a 0.7 million or 12% shortfall in passengers versus forecast.
- The PSE4 period-to-date IRR after four years is 6.92% compared with forecast of 4.99%, or 2.51% versus forecast of 3.56% excluding asset revaluations.

*Variances from forecast are explained in detail under schedule 1 of the Disclosures

Long term returns

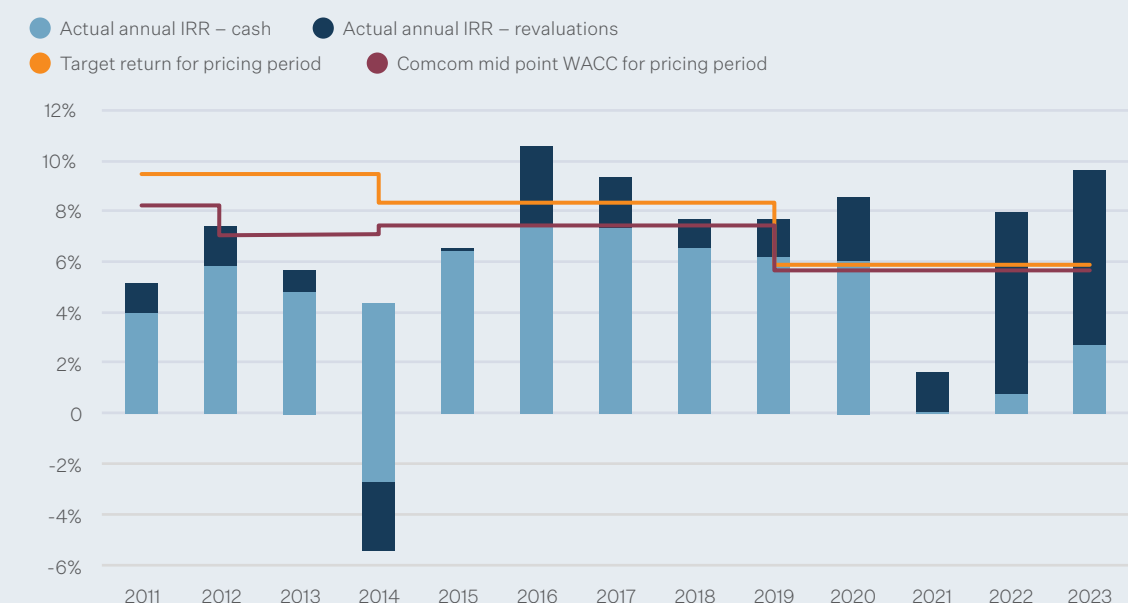
Any assessment of airport performance should consider both past and forecast returns, especially since airports are long-term cyclical assets.

Wellington Airport's actual IRR for FY11 – 19 (i.e. prior to PSE4) was 6.99%, equating to a \$12.8m NPV cumulative deficit compared with the Commission's midpoint Weighted Average Cost of Capital (WACC). Furthermore, our PSE4 forecast outcomes result in an IRR of 6.62% over the period FY11 – 24, equating to a \$18.0m net present value (NPV) cumulative deficit compared with the Commission's mid point WACC.

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

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

ANNUAL INTERNAL RATE OF RETURN (IRR)



ENVIRONMENT, SUSTAINABILITY AND COMMUNITY

➔ At Wellington Airport we are deeply conscious of our responsibilities to our people, community, and wider environment. Our Kaitiakitanga work programme embeds this into everything we do.



We have a range of specific targets for reducing our environmental footprint which are measured and reported regularly.

By 2030 we aim to achieve net zero emissions for Scope 1 and 2 emissions and for staff travel. We are also aiming to reduce waste to landfill and terminal potable water use by 30% (against a 2017 baseline).

To achieve these targets, the airport is adopting energy efficient and sustainable construction into our projects and making end-to-end changes in our waste management processes.

Our carbon emissions target is absolute, which means we are committed to reducing our operational emissions irrespective of airport growth.

We are committed to supporting the decarbonisation of the aviation industry and are engaging with our airline customers to understand their future infrastructure needs, including electric charging facilities for aircraft and ground service equipment.

Some of our recent highlights include:

- Setting a goal of net zero emissions by 2030 and committing to a science-based target for emissions reduction.

- Achieving Level 2 (Reduction) Certification from the Airport Carbon Accreditation programme in December 2022.
- Rated third best participating airport in the world for performance and management of environmental, social and governance efforts by GRESB.
- Converting \$100 million of existing bank facilities into sustainability linked loans, creating direct financial incentives by aligning interest rates with agreed sustainability targets.
- Improving the energy efficiency of buildings and infrastructure.
- Replacing a third of our vehicle fleet with electric vehicles.
- Partnering with electric aircraft manufacturer Heart Aerospace alongside other New Zealand airports and airlines to speed up the decarbonisation of aviation.

Our annual Kaitiakitanga report for the 2023 financial year sets out our progress in more detail and is available at www.wellingtonairport.co.nz

