THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

Champions Trophy Case Competition

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

CHAMPIONS TROPHY CASE COMPETITION 2010

AUCKLAND AIRPORT

3rd February 2010

Case prepared by Mr. Raymond Chan, under the supervision of Mr. Sunny Gu and Mr. Brendon Potter, Director of Student Development, The University of Auckland Business School. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publicly available sources and Auckland Airport. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

Auckland Airport

From: Michelle Money
Sent: Wednesday, 3 February 2010 7:31
To: * Auckland Airport's Project Teams
CC: David Dollar; Benjamin Banker; Peter Partner; Warren Wallstreet; John Jobs
Subject: Auckland Airport Group Strategy Presentation

Hi Team,

Our first client, Auckland Airport, is New Zealand's largest airport handling approximately 13 million passenger movements last year accounting for over 70% of visitors entering or leaving the country. The airport navigated through turbulent conditions over the last three years and was recently voted as the 10th best airport in the world, and the best in the Australia/ Pacific region in the 2009 independent Skytrax World Airport Awards and 2009 World Travel Awards.

Auckland Airport began operations in November 1965. In 1988, the Government corporatized the management and ownership of Auckland Airport. Initially a 50% shareholder, the Government sold its entire shareholding in 1998 when the company was listed on the New Zealand Stock Exchange. Two Councils in the region have retained their shareholding in the airport, with Auckland City Council holding 12.75% and Manukau City Council holding 10.05%. Legislation has been passed to merge the Councils in the Auckland region later this year.

On 18 June 2007, the Directors of Auckland Airport announced that they were in discussions with selected parties regarding capital restructuring opportunities including the potential acquisition of an ownership interest in Auckland Airport. After receiving a takeover offer, the Government made changes to tax laws which made the restructuring proposal less tax-effective. In addition, tighter investment rules were introduced for overseas ownership of strategic assets which ultimately led to the takeover bid's termination.

Since being appointed CEO in 2008, Simon Moutter has unveiled a five step strategy to deliver long-term sustainable growth to shareholders through the upcoming Rugby World Cup in 2011 being hosted in New Zealand and beyond. Several weeks ago, Auckland Airport announced the acquisition of a strategic stake in North Queensland Airports as part of this strategy.

CEO Simon Moutter has asked us for a review of how Auckland Airport can best capitalise on existing initiatives and further ways to take Auckland Airport into its next stage of growth.

You will have ten minutes to present to Simon and the board, which will be followed by a ten-minute question and answer session to clarify any issues. Our research team has put together some relevant information and I have attached it to this email.

Regards,

Michelle Money,
Senior Vice President
SYG Consulting Group

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CHAMPIONS TROPHY CASE COMPETITION 2010

AUCKLAND AIRPORT

OVERVIEW

Photograph: Auckland Airport Check-In Area

The following has been extracted and summarised from Auckland Airport's Target Company Statement 17.12.07, Annual Report 2009, corporate website and an interview with Peter Alexander, General Manager Property (December 21, 2009)

Auckland Airport

Highlights 2009

Voted one of the world's top 10 airports in 2009 Skytrax Awards

Two new international airlines won – Pacific Blue and Jetstar

Revenue up **5.2%**

$369.2m

Operating EBITDA up **1.6%**

$280.4m

Capital expenditure down **38.7%**

$87.6m

Underlying profit up **2.1%**

$105.9m

Two retail bond issues in FY09 raised **$180m**

International passengers down **1.4%**

Domestic passengers down **1.5%**

Competition on trans-Tasman stimulating demand

Australian visitors increased **7.1%**

Retail and property revenue **up**

Park & Ride venture a success

Final dividend of 4.45cps, bringing total dividend for the year to 8.20cps

Restructured operations, and resources managed proactively

Instituted performance management culture

Health and safety performance improved

JR Duty Free joined the airport as a second operator

International departures redevelopment well under way

Big investment in scaling up air service development capability and activity

Successful Lean Six Sigma process efficiency pilot study completed in international arrivals

New $50m international pier opened

Aeronautical charge increase deferred

Air New Zealand judicial review dropped

Airport hotel deal finalised

New border processing **technology** trialled

Renewed commitment to, and investment in, community and social responsibility

Company report 2009

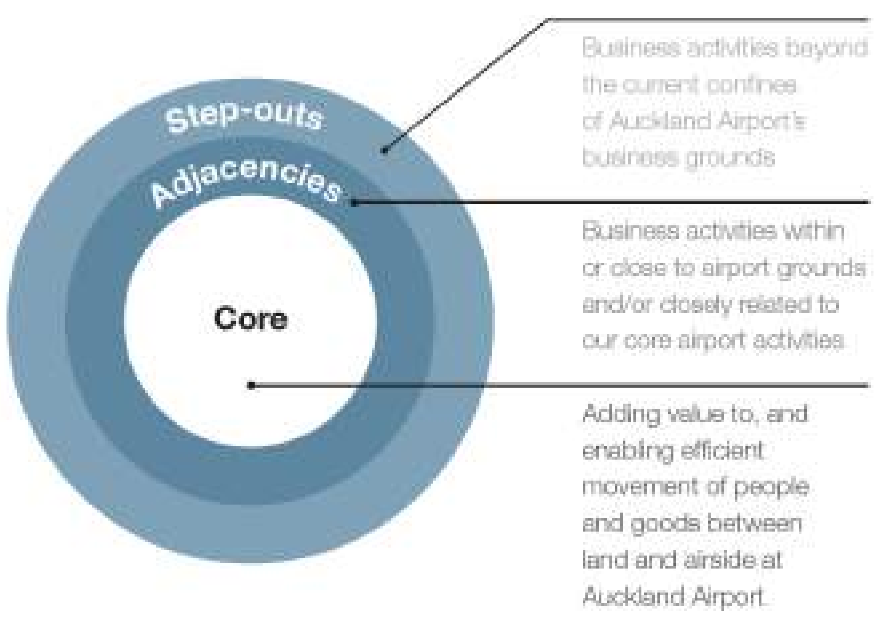
Our vision and purpose

- Expertise in developing quality infrastructure and core operational skill-set can be leveraged further to generate greater value for stakeholders
- Strong competencies in managing the movement of people and goods are transferrable to other locations and businesses with similar dynamics
- Auckland Airport operation will always be the heart of our business but we do not want our growth to be constrained by these geographic limits
- Corporate vision is to grow beyond the Auckland Airport operation to be the recognised market leader in creating value from businesses centred around hubs for large-scale movement of people and goods eg the Novotel Auckland Airport hotel joint venture project
- But opportunities likely to be modest in scale and must be carefully assessed. They need to be consistent with our strategy, leverage strengths, offer a clear return on investment and, most importantly, they must not put core business at risk
- Our primary business role is to play our part in growing travel, trade and tourism for the markets we serve.
- We will do this by reflecting unique market attributes in our brand, delivering outstanding and welcoming customer experiences, collaborating effectively with public and private enterprises, and by demanding excellence in all that we do

Delivering on strategy

- In 2009, we unveiled our new ‘flightpath’ and remain growth focused
- Our business is characterised by long lead times. We must continue to lay the groundwork to build new air travel markets so we are well placed to capitalise on the inevitable recovery in demand
- In the short term, we must do all we can to run our business more efficiently and stimulate air travel volumes.
- Long term business opportunities include property development activities or other businesses involved in the efficient large-scale movement of people and goods, such as the accommodation, freight and logistics sectors
- The nearest of these opportunities, which we term ‘adjacencies’, would either be within or close to the existing airport business or boundaries. More diverse or distant opportunities, such as becoming involved with a cruise ship terminal, would be what we term ‘step-outs’.

‘Flightpath’ for growth



Growth strategy

1 Putting our customers first

Create a healthier commercial environment

- Develop a more customer-centric approach which involves alignment of business operations with airlines
- Facilitate a balanced and sustainable stable of airlines
- Ensure stakeholders and regulators recognise the value Auckland Airport provides
- Support alignment of ownership with strategy

2 Tightening our belts

Increase the focus on and discipline of cost efficiency and capital productivity

- Ensure operations are fighting fit for the downturn
- Facilitate a continuous improvement culture
- Apply greater scrutiny and discipline to capital management

3 Making the most of what we have

Unlock the full growth potential from the core business

- Optimise the customer experience to drive pricing for services
- Challenge commercial models to facilitate airport services differentiation
- Pursue new route/airline/tourism development
- Adopt a 'proactive landlord' approach in retail
- Reinvigorate and grow property development
- Improve performance of cargo business

4 Looking for new opportunities

Capture growth opportunities from the closest and most promising adjacencies

- Pursue property development opportunities outside aeronautical-related property
- Pursue new opportunities in cargo business

5 Looking beyond our business today

Pursue opportunistic but carefully selected step-outs aligned to core competencies

- Invest beyond the current business and grounds where investment criteria are met

Putting our customers first
Implementing this growth strategy has meant working with our industry partners on a range of initiatives to boost volume, drive yield and improve the passenger and customer experience. We have looked for ways to work with our airline customers and other partners to develop a healthier commercial environment. That means improving our understanding of our partners' business models and working towards mutually beneficial and commercially appropriate outcomes.

'Fighting fit'
The current downturn has made it even more important that we have an organisation that is 'fighting fit'. This has included tighter management of costs and deferral of non-essential capital expenditure to ensure that we are developing infrastructure and operational capability that is fit for purpose and on time to meet demand. We have looked internally at our resources, systems and skills to ensure that we have the right capabilities, in the right places, to drive value and efficiencies.

This has resulted in a reallocation of resources from engineering and construction activity to air services development and retail yield growth. We have restructured the management and operations of the business around our key revenue streams to make the most of our assets and capabilities. While this has resulted in some one-off costs, we expect to see benefits over the medium term.

We have invested significantly in air service development capability and activity, which has already borne fruit this year with the winning of two new international airlines – Jetstar and Pacific Blue. We have also strengthened our relationships with potential new airlines and with the key tourism stakeholders who can help drive additional volume from emerging and existing tourism markets.

Lean Six Sigma process pilot study
Auckland Airport and key airport partners have now completed a pilot study to better understand passenger arrival movements, identify bottlenecks and make the end-to-end arrival processing experience more efficient.

We now have a programme of improvements partially implemented, and a number of long-term initiatives identified, including a target average of 15 minutes for arrival processing and a target maximum of no more than 25 minutes at any time.

We have now extended the Lean process to include similar studies of the departures process and of aircraft handling processes.

Making the most of what we have
Over the last five years, we have invested over $500 million in expanding and upgrading Auckland Airport. As a result, we have a base of quality infrastructure assets well placed to cater for current demand and likely growth in the near future (with relatively limited further investment). The immediate intention is to unlock the full potential of our current business. Major areas of focus include improving the passenger and retail experience, providing airlines and travellers with greater differentiation, and driving the sustainable growth of air services into Auckland.

Supporting many of our product development and marketing initiatives is the powerful concept of 'good, better, best'. The most effective way to grow market demand is to provide a range of service and price offerings that meets the varying needs of customers, from high-end premium to lower-end budget solutions. The concept is valid both with our airline customers and for travellers. We are using this model to push ourselves to create real choices for customers rather than the old-fashioned 'one size fits all' approach.

Looking for new opportunities
Although our primary focus will remain within the Auckland Airport precinct, we will seek to take advantage of new or counter-cyclical opportunities near or beyond our core business.

This is all about finding ways to leverage our assets and expertise in terms of the large-scale movement of people or goods to enhance shareholder value.

Industry overview

General Characteristics

The airport industry provides a range of both aeronautical and non-aeronautical services to commercial and non-commercial airlines, private aircraft owners, commuter and cargo airlines and domestic and international aircraft passengers

The vast majority of airports are essentially facilities managers, providing land and buildings for use by airlines, retailers, freight companies and related or supporting businesses. The physical components of airports are typically divided into “landside” areas including parking lots, public transport stations, pick-up and drop-off areas and access roads, and “airside” areas including terminals, runways, taxiways, and ramps. The degree to which an airport has developed its airside and landside areas largely depends on its size and the profile of traffic volumes at the airport.

Airports also offer a range of support services, either directly or contracted to third parties. Airport services are generally categorised into aeronautical and non-aeronautical services:

Aeronautical Services	Non-aeronautical Services

• Air traffic control
• Ground handling
  • loading and unloading
  • refuelling
  • cleaning of aircraft
  • replenishment of onboard consumables
  • providing check-in counter services
  • staff for transfer counters and airline lounges
• Aircraft parking
• Security services
	• Retail services
	  • duty-free
	  • cafes, restaurants and bars
	  • souvenir retailers
	• Car parking
	• Commercial facilities
	  • office spaces for airlines, freight companies and other operators
	• Development
	  • improvement and expansion of airport facilities

Passenger volumes are considered the major driver of airport earnings. Air travel demand has proved to be quite resilient to external disruptions such as recession, war, terrorism and diseases. The impact of each crisis has lasted only for a short period, after which time strong growth has resumed. For example, after two years of stagnation following 2001, air travel demand increased 14% in 2004, 7% in 2005 and close to 6% in 2006. Passenger travel is not only being stimulated by a rising middle class in China and India but also by the rise of Low Cost Carriers (LCC) particularly in Europe and Asia.

Sources of Revenue

Landing Charges

One of the key sources of revenue for airports are the charges levied on aircraft landing on its runways. In general, landing charges are based on Maximum Certified Take Off Weight (MCTOW) of the aircraft arriving at the airport. At some airports in Australia and New Zealand (other than at Auckland Airport) landing charges are charged on a per passenger basis only. This has the effect of transferring some of the airline risks to the airport in that the airlines are only charged for the passengers they are carrying rather than the alternative approach of charging airlines based on aircraft weight (i.e. essentially the number and size of aircraft), irrespective of passenger load.

Airport landing charges are always under close scrutiny from the airlines and less frequently by regulators to prevent airports from deriving monopoly profits.

Auckland Airport is currently divided, in economic terms, into two ‘tills’ - the aeronautical till (which is subject to limited competition and therefore regulated) and the non-aeronautical till (which is subject to open market competitive forces). Airport charges are set based on expected flight volumes to provide a reasonable rate of return on the airports aeronautical assets. This means in the long-run, winning new airlines and developing new routes result in zero net benefit to an airport’s aeronautical revenue as aeronautical charges must be reduced on a per unit basis in order to maintain the same overall rate of return.

The current regulatory regime in New Zealand can be regarded as light-handed. The airports are required to consult with airlines when contemplating a price increase, although, in the event of a dispute, the airport is still permitted to increase its charges. In addition, the airport must comply with a comprehensive disclosure regime.

Passenger Revenue

Globally airports impose a broad range of arriving and departing passenger charges including passenger facilitation charges, security charges, baggage handling charges and reconciliation fees and departure fees. Accordingly, the number of passengers through each airport is ultimately a key driver of revenue. In addition to the various aeronautical charges applied to arriving and departing passengers, airports also derive significant retail income from travelling passengers, usually through claiming a percentage of sales from incumbent airport retail operations.

Source: Grant Samuel Independent Advisor’s Report on the takeover offer from Canada Pension Plan Investment Board for Auckland Airport, December 2007 and interview with Peter Alexander, General Manager Property (December 21, 2009)

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AUCKLAND AIRPORT

ACQUISITION OF
NOTHERN QUEENSLAND AIRPORT (NQA)

Photograph: Cairns Airport

Cairns airport

Mackay Airport

Auckland Airport

Media Release

Auckland Airport agrees to purchase a stake in Cairns and Mackay Airports (extract)

Media Release 11 January 2010

Auckland International Airport Limited (Auckland Airport) today announced it has agreed to purchase from Westpac Bank a 24.55% stake in North Queensland Airports (NQA), the operator of Cairns and Mackay airports in Queensland, Australia for A$132.8m (approximately NZ $166m).

Auckland Airport's chairman, Tony Frankham, said, "This is a significant milestone for Auckland Airport and for our strategy to grow beyond our core business in Auckland.

This proposed acquisition opens up exciting new opportunities to strengthen and grow air services connections with Cairns as a stepping stone between New Zealand and the high-growth tourism markets of Asia, and enables us to leverage our world class expertise in the large scale movement of people and goods to grow shareholder value."

Cairns Airport is Australia's seventh busiest airport, with approximately 3.7 million passengers in the year to 30 June 2009 (compared with Auckland Airport's 13.0 million passengers in the same period). It is the closest international airport to Asia on Australia's eastern seaboard and is the gateway to Tropical North Queensland, an internationally renowned tourism region boasting two World Heritage listed attractions; the Great Barrier Reef and the Wet Tropics Rainforests. Mackay Airport is an important regional domestic airport with nearly 1 million passengers in the year to 30 June 2009.

The airport is the main airport servicing the Bowen Basin, an important region for natural resources, which contains one of the largest deposits of coal in the world. Mackay Airport also benefits from its close proximity to the Whitsunday resort islands.

Auckland Airport's chief executive, Simon Moutter, said, "Since indicating in March 2009 that we would pursue opportunistic but carefully selected step-outs, we've looked at a range of opportunities to drive synergies and volume for our core business at Auckland. We also recognise that our most important value driver is growth in international passenger volumes. We believe that Asian tourism markets offer the greatest opportunity for volume growth and that one of the keys to growing Asian traffic is improved air services connections. Driving more travel demand out of Asia will be crucial to the future growth of both Auckland Airport and the New Zealand tourism sector."

"New Zealand has underperformed against Australia in gaining a share of Asian tourism, so we have decided to take a position in the Australian market in an effort to get better connected and lift our market share. While our primary focus remains direct Asian connections with Auckland, an important stepping-stone is to strengthen connections with other strategically located airports."

"Cairns Airport fits the bill in terms of its location, scale, focus on Asian tourism, and market diversification opportunities. Mackay offers additional diversified exposure to the booming Australian resources sector."

"This is very much a case of the right deal at the right time. We've monitored this situation closely over the last year since privatisation by the Queensland Government, and we've now been able to take advantage of a rare opportunity to enter the Australian airport market alongside key partners (Infrastructure Investment Fund, advised by JP Morgan Asset Management; and The Infrastructure Fund, managed by Hastings Funds Management, the largest airports funds manager in Australia)."

NQA Chairman, Jason Zibarras, welcomed Auckland Airport as a proposed new shareholder and said his Board of Directors was looking forward to forging a new alliance.

"As an airport operator investing in NQA, Auckland Airport will bring additional expertise. Their proposed investment is a welcome mark of confidence in the outlook for Cairns and Mackay," Mr Zibarras said.

Mr Moutter said the Cairns/Mackay investment is relatively modest (around 5%) as a proportion of Auckland Airport's total assets. "Auckland remains our core business. Our commitment to continuing to be one of the 10 best airports in the world and developing more air services to help grow New Zealand tourism and trade won't be changing."

Auckland Airport would become the only airport operator shareholder in NQA. Its shareholding arrangements would enable it to exercise strategic and operational influence and drive benefits from joint air-services development and operational expertise sharing across all three airports.

Mr Moutter added, "Cairns has been underperforming due to the decline in some key markets such as Japan. However we believe it is poised for a strong rebound, driven by improving tourism demand, recently announced new air services, new Federal Government initiatives to encourage foreign airlines to fly to and beyond regional international airports such as Cairns, and more than A$45m of committed government tourism support."

"We believe this is a good move for Auckland Airport and New Zealand and Auckland tourism", said Mr Moutter.

Routes

Auckland Airport

1

Fits with our step-out strategy

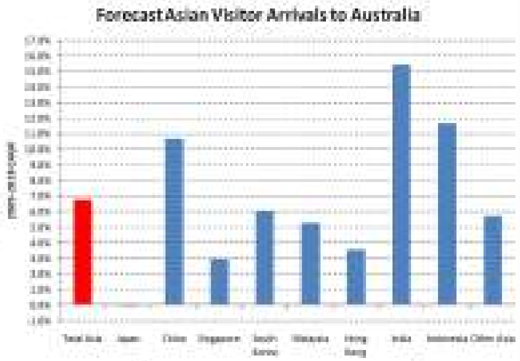
- Our highest value growth step-out option is to invest in other airports through which we can drive synergies with and volume for our core business at Auckland
- Our main value driver is growth in international passenger volumes through Auckland Airport
- Asian tourism markets offer the greatest opportunity for long-term volume growth
- One key enabler to growing Asian traffic is improved air services connections
- While our ultimate goal is direct Asian connections with Auckland, an important parallel approach is to strengthen connections with other strategically located airports

Auckland Airport

2

Shared tourism goals

- Shared objective to drive passenger volume growth from high growth Asian markets
- Air services development is a major focus
- Australia has higher growth targets for Asian market: forecast 7.0% p.a. growth for Asian visitors to Australia 2009-2014, versus New Zealand 3.8% p.a.
  - Australia is forecast to continue to grow strongly until at least 2018 – see chart opposite)
- Cairns particularly well placed to benefit as tourism and economic conditions improve
  - Well located within 5-7 hours flying distance of China and a number of rapidly growing Asian tourism markets



Source: Tourism Australia

Auckland Airport

3

Good Upside Potential for Investment

- Opportunity to re-generate leisure traffic by targeting Australian and Asian low cost carriers
- The Australian Government announced in December 2009 a package of air services development initiatives
  - Tourism marketing commitments (in excess of A$45m over 3 years) have been made
  - Foreign airlines that make stopovers at regional international airports will be offered greater access to the four major gateway airports of Sydney, Melbourne, Brisbane and Perth
- Significant retail enhancement and longer term property development opportunities at both Cairns and Mackay Airports

Auckland Airport

4

Low Future Capex Requirements

- A$200m domestic terminal redevelopment at Cairns is close to completion with no substantial capital expenditure expected for a number of years thereafter
- Direct international passenger volumes are currently ~50% of what they were at their peak, so substantial capacity in existing international terminal
- Overall capital expenditure required to support projected growth in passengers is low

Auckland Airport

5

Opportunity to Add Value

- Auckland Airport will be the only shareholder of Cairns/Mackay which is an airport operator
- Auckland Airport's support will be required for major decisions including changes to the business plan
- North Queensland Airports management welcome Auckland Airport's involvement and look forward to developing opportunities together
- Potential to contribute world-class expertise in route development, retail and property development
- Opportunities to leverage relationships with suppliers, contractors and corporate service providers on a multi-airport basis

Auckland Airport

6

Synergies with Auckland

- While North Queensland Airports has been valued as a stand-alone investment we believe there is significant synergy potential
- **Air services development:** encourage airlines to use Cairns as a 'stepping stone' to strengthen connections between Auckland and Asia
  - Currently 16 international airlines flying to airports on Australian eastern seaboard do not fly to NZ
- **Tourism marketing:** leverage the dual-destination attraction of Tropical North Queensland and New Zealand
  - Of the 700,000 overseas visitors annually to Tropical North Queensland, only a small proportion fly onto NZ
- **NZ outbound travel:** only 9% of New Zealanders travelling to Queensland currently visit Tropical North Queensland
- Within five years the potential benefits to Auckland Airport are estimated to be at least ~100,000 additional pax pa – delivering incremental EBITDA of ~NZ$2.0-2.3m pa – which will deliver over $100m annual benefit to the NZ economy.

Auckland Airport

7

Risk Diversification

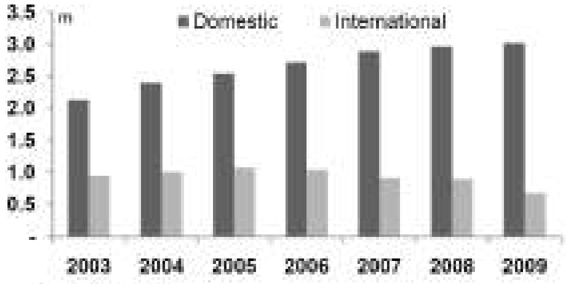
- Whilst the investment represents only 5% of Auckland Airport's total assets it does provide an element of risk diversification by:
  - exposure to the higher growth Australian tourist and Queensland resources economies
  - North Queensland Airport's revenue is 100% unregulated (c.f. Auckland Airport ~53% regulated)

Auckland Airport

8

Cairns Airport Passenger Numbers

- Overall passenger numbers declined 4.0% in 2009 to 3.7 million due to a decline in international passengers, particularly from Japan
- Overall CAGR between 2003 and 2009 of 3.0%, driven by strong growth in domestic passengers offsetting a decline in international passengers
- It has been estimated that 40% of passengers who travel on the Cairns Airport domestic network are international passengers who, due to the limited direct international services into Cairns Airport, transit or stopover at other Australian capital city airports



2003-09 CAGR	%
Domestic	6.0%
International	(5.4%)
Total	3.1%

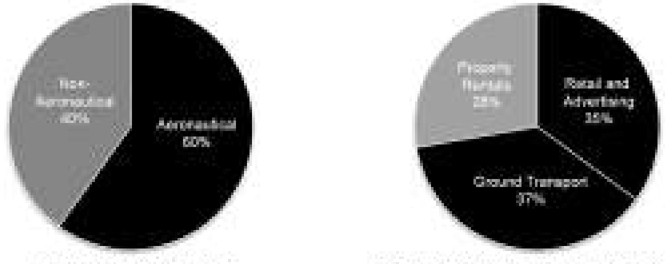
Auckland Airport

9

Cairns Historical Financials

A$m, financial year to June	FY06	FY07	FY08	FY09	CAGR FY06-09
Revenue	61.3	63.0	66.4	57.8	(2.1%)
Expenses*	(14.2)	(15.7)	(18.2)	(20.5)	13.0%
EBITDA*	47.1	47.3	48.2	37.0	(7.7%)

FY09 Revenue Breakdown



Total Revenue A$57.8m

Total Non-Aeronautical Revenue A$23.1m

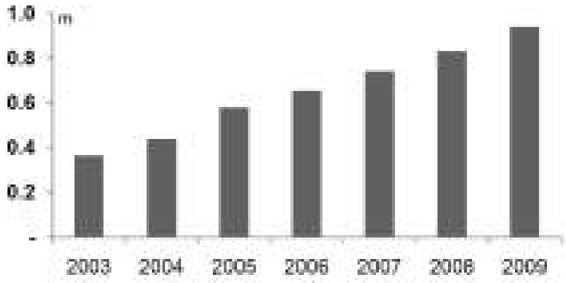
*Source: NQA. FY06-08 under public ownership Cairns Airport was part of Cairns Port Authority and not a standalone airport and the above results do not include any allocation of corporate costs. FY09 figures are estimates and represent a combination of the financial results of the three different ownership regimes and are inclusive of corporate costs.

Auckland Airport

10

Mackay Airport Passenger Numbers

- Passenger numbers at Mackay increased 13.0% in 2009 to 940,000 passengers
- Overall CAGR between 2003 and 2009 of 17.1%, driven by the development of the Bowen Basin coal fields and the associated impact of the "fly in – fly out" workforce



2003-09 CAGR	%
Domestic	17.1%

Auckland Airport

11

Mackay Historical Financials

A$m, financial year to June	FY06	FY07	FY08	FY09	CAGR FY06-09
Revenue	9.8	12.0	14.1	16.2	17.8%
Expenses	(4.1)	(4.7)	(4.8)	(5.0)	6.8%
EBITDA	5.8	7.3	9.3	11.2	24.5%

FY09 Revenue Breakdown

Total Revenue A$16.2m

Total Non-Aeronautical Revenue A$4.9m

*Source: NQA. FY06-08 under public ownership Mackay Airport was part of Mackay Port Authority and not a standalone airport and the above results do not include any allocation of corporate costs. FY09 figures are estimates and represent a combination of the financial results of the three different ownership regimes and are inclusive of corporate costs.

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12

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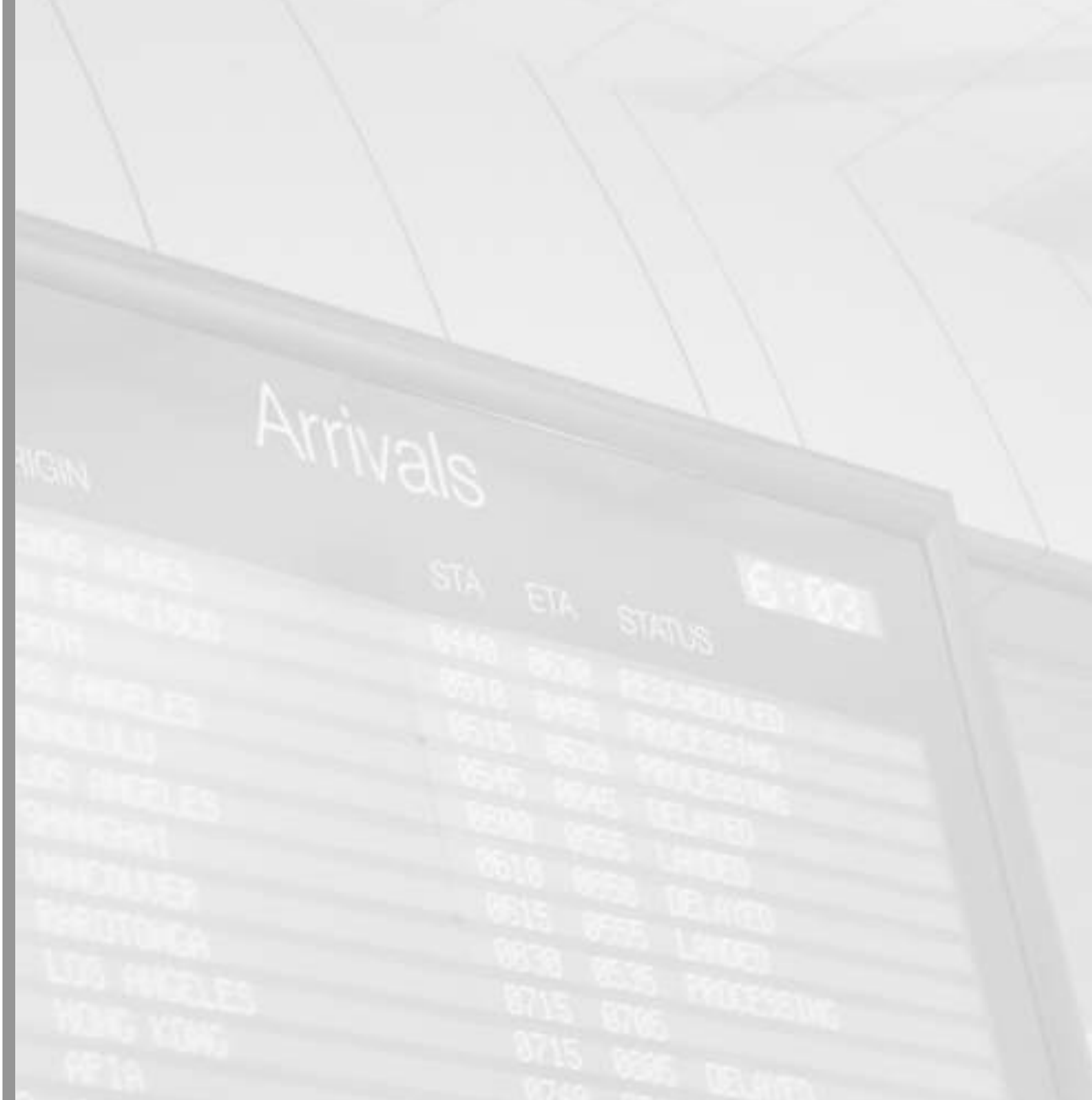
AUCKLAND AIRPORT

FINANCIAL REPORT 2009



Photograph: Auckland Airport

The following has been extracted from Auckland Airport's Annual Report 2009

Auckland Airport

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

CHAMPIONS TROPHY CASE COMPETITION 2010

Five-year summary

For the year ended 30 June 2009

Income statement

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Operating revenue					
Airfield income	70,458	70,129	66,266	67,351	66,280
Passenger service charge	66,542	66,952	64,389	60,405	49,531
Terminal services charge	27,470	22,897	21,888	17,274	13,866
Retail income	105,316	98,427	93,744	86,712	84,681
Rental income	47,975	45,172	33,267	31,502	29,243
Rates recoveries	3,210	3,132	2,736	2,285	2,096
Car park income	29,377	29,252	25,878	24,847	23,396
Interest income	2,611	563	1,076	517	144
Share of profit of an associate	949	1,051	904	688	844
Other revenue	15,336	13,455	11,798	14,233	12,644
Total revenue	369,244	351,030	321,946	305,814	282,725
Operating expenses					
Staff	34,337	24,893	36,045	25,950	24,024
Repairs and maintenance	30,158	25,717	22,987	20,500	18,469
Rates and insurance	6,845	7,389	6,271	5,793	5,482
Other	17,541	17,195	13,927	13,410	13,232
Total operating expenses	88,881	75,194	79,230	65,653	61,207
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	280,363	275,836	242,716	240,161	221,518
Investment property fair value increases	(64,586)	13,721	140,160	-	-
Costs relating to ownership proposals	-	(9,588)	-	-	-
Total earnings before interest, taxation and depreciation (Total EBITDA)	215,777	279,969	382,876	240,161	221,518
Depreciation	54,766	46,973	43,184	38,546	31,895
Earnings before interest and taxation (EBIT)	161,011	232,996	339,692	201,615	189,623
Interest expense and other finance costs	75,590	72,548	62,739	54,911	36,229
Profit before taxation	85,421	160,448	276,953	146,704	153,394
Taxation expense	43,696	47,489	46,089	43,549	47,753
Profit after taxation	41,725	112,959	230,864	103,155	105,641

Note: 2009, 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Financial analysis ‘09

The following is an explanation and analysis of the revenue change between 2008 and 2009 summarized from the Annual Report 2009.

Airfield Income
The small increase from 2008 to 2009 was primarily due to a 2.5 percent increase in MCTOW landing charges from 2008, offset by a 1.5 percent decrease in total MCTOW volumes.

Passenger services charge
The passenger services charge (PSC) is levied on international passengers 12 years old and over. From 1 July 2008, the PSC changed from $25.00 for each eligible departing passenger to $13.00 for each eligible departing and arriving passenger

The decrease in the PSC revenue was driven by a decrease in international passenger movements of 2.2 percent offset by the PSC charge increase.

Terminal services charge
The terminal services charge (TSC) reflects a rental for space and cost recoveries from the airlines for international terminal operational areas. This primarily resulted from an increase in the applicable space in the international terminal

Retail
The company earns significant revenue from its retail concessions, including duty free and specialty stores, foreign exchange, and food and beverage outlets.

Retail income per international passenger (including transits and transfers) was $14.31 in the 2009 year, compared with $13.19 in 2008. The increase primarily reflects higher revenue from duty free operator DFS in circumstances where DFS, as the proposed sole duty free operator, had the ability to secure the trading benefits of scale and range of products available through that model.

The renegotiation with DFS to efficiently secure space for a second operator was completed this year and the revenues for 2010 will be lower. This, combined with the potential impact on trading from the disruption caused by construction work in the departures area, has resulted in market guidance for retail revenue in 2010 to be in the range of $90 - $93 million.

Property rentals
Auckland Airport earns rental revenue from space leased in facilities such as terminals and cargo buildings and stand-alone investment properties.

The increase from 2008 to 2009 was largely due to positive rent reviews and improved recoveries of outgoings, along with some additional rentals from properties completed in the period.

Car parks
At 30 June 2009, the company had parking facilities for 8,188 cars, compared with 7,967 parks at 30 June 2008. The increase in parking capacity was achieved due to the creation of the ‘Park & Ride’ car park. In an increasingly competitive parking environment, the ‘Park & Ride’ facility has exceeded expectations in its first six months of operation.

Utilities and general
This category includes utilities (sale of electricity, gas and water), rates recoveries from tenants, transport licence fees, and other miscellaneous revenue items. The increase from 2008 to 2009 largely resulted from increases in telecommunication network revenues and higher transport licence fees for a new licence period.

Associated company
The company partners with the United States-based international food and beverage operator, HMS Host Inc, in a joint venture to operate food and beverage services at the international terminal. The decrease in revenue reflects the adverse impact of trading during the construction work for the redevelopment of the landside food and beverage area within the first floor of the international terminal.

Five-year summary

For the year ended 30 June 2009

Balance sheet

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Non-current assets					
Property, plant and equipment					
Freehold land	1,499,232	1,495,138	1,492,015	1,645,619	458,196
Buildings and services	545,261	543,348	472,095	425,392	310,246
Infrastructure	227,548	217,846	198,728	195,742	123,848
Runways, taxiways and aprons	257,788	251,953	252,647	254,855	181,702
Vehicles, plant and equipment	17,780	14,734	12,517	11,822	9,402
	2,547,609	2,523,019	2,428,002	2,533,430	1,083,394
Investment properties	467,537	524,280	509,900	193,502	175,439
Investment in associate	5,892	4,943	3,892	2,988	2,800
Derivative financial instruments	5,334	6,991	12,507	-	-
Other non-current assets	775	775	775	1,075	-
	3,027,147	3,060,008	2,955,076	2,730,995	1,261,633
Current assets					
Cash	34,320	693	1,594	324	510
Inventories	130	178	134	100	110
Prepayments	3,309	3,220	2,890	3,616	3,705
Accounts receivable	17,321	14,789	12,140	11,935	10,929
Taxation receivable	4,239	13,727	10,180	10,891	3,057
Derivative financial instruments	1,683	292	669	-	-
	61,002	32,899	27,607	26,866	18,311
Total assets	3,088,149	3,092,907	2,982,683	2,757,861	1,279,944
Shareholders' equity					
Issued and paid-up capital	174,738	170,265	169,057	166,910	163,940
Cancelled share reserve	(161,304)	(161,304)	(161,304)	(161,304)	(153,627)
Retained earnings	220,251	251,786	262,325	(25,387)	(28,314)
Property, plant and equipment revaluation reserve	1,628,783	1,630,815	1,631,891	1,808,241	422,523
Investment property revaluation reserve	-	-	-	66,642	53,027
Share-based payments reserve	895	895	864	-	-
Cash flow hedge reserve	(22,216)	4,176	12,132	-	-
	1,841,147	1,896,633	1,914,965	1,855,102	457,549
Non-current liabilities					
Term borrowings	803,707	741,727	587,490	600,809	401,417
Derivative financial instruments	29,279	3,758	6,151	-	-
Deferred tax liability	91,302	99,923	95,361	-	-
Other term liabilities	438	430	440	958	1,097
	924,726	845,838	689,442	601,767	402,514
Current liabilities					
Accounts payable and accruals	42,753	45,730	58,172	38,290	34,359
Provision for special dividend	-	-	-	-	146,722
Derivative financial instruments	5,020	748	-	-	-
Short-term borrowings	272,998	300,793	317,042	259,808	238,800
Provisions	1,505	3,165	3,062	2,894	-
	322,276	350,436	378,276	300,992	419,881
Total equity and liabilities	3,088,149	3,092,907	2,982,683	2,757,861	1,279,944

Note: 2009, 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Five-year summary

For the year ended 30 June 2009

Statement of cash flows

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	363,501	345,973	320,415	300,580	281,137
Income tax refunded	11,621	-	-	-	-
Interest received	2,611	563	1,076	517	144
Dividends from associated company	-	-	-	500	500
	377,733	346,536	321,491	301,597	281,781
Cash was applied to:					
Payments to suppliers and employees	(87,715)	(95,980)	(66,987)	(60,727)	(60,247)
Income tax paid	(44,304)	(46,416)	(44,243)	(51,383)	(51,427)
Other taxes paid	(344)	(328)	(318)	(496)	(514)
Interest paid	(75,292)	(69,484)	(62,789)	(51,596)	(38,557)
	(207,655)	(212,208)	(174,337)	(164,202)	(150,745)
Net cash flow from operating activities	170,078	134,328	147,154	137,395	131,036
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets	371	62	233	2,983	1,402
Other investing activities	-	-	500	-	-
	371	62	733	2,983	1,402
Cash was applied to:					
Purchase of property, plant and equipment	(82,517)	(135,964)	(84,325)	(101,026)	(105,096)
Interest paid - capitalised	(3,889)	(6,831)	(2,833)	(2,758)	(2,310)
Expenditure on investment properties	(7,303)	(3,350)	(15,249)	(4,448)	(7,063)
Other investing activities	-	-	(200)	(1,075)	-
	(93,709)	(146,145)	(102,607)	(109,307)	(114,468)
Net cash applied to investing activities	(93,338)	(146,083)	(101,874)	(106,324)	(113,066)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	4,473	1,208	2,285	3,485	3,554
Increase in borrowings	3,383,955	3,959,573	2,103,650	1,833,050	835,217
	3,388,428	3,960,781	2,105,935	1,836,535	838,771
Cash was applied to:					
Decrease in borrowings	(3,355,624)	(3,825,295)	(2,049,858)	(1,612,650)	(757,900)
Dividends paid	(75,917)	(124,632)	(100,087)	(246,950)	(98,596)
Buy-back of shares	-	-	-	(8,192)	-
	(3,431,541)	(3,949,927)	(2,149,945)	(1,867,792)	(856,496)
Net cash flow applied to financing activities	(43,113)	10,854	(44,010)	(31,257)	(17,725)
Net increase/(decrease) in cash held	33,627	(901)	1,270	(186)	245
Opening cash brought forward	693	1,594	324	510	265
Ending cash carried forward	34,320	693	1,594	324	510

Note: 2009, 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Five-year summary

Key performance indicators

	2009	2008	2007	2006	2005
Financial performance					
Underlying operating EBITDA margin (%)	77.1%	77.2%	78.5%	78.5%	78.4%
Underlying after-tax return on capital employed (%)	5.7%	5.4%	5.3%	3.7%	8.3%
Underlying earnings per share (cents) *	8.65	8.49	8.22	8.44	8.65
Financial position and gearing					
Debt/Debt + equity (%)	36.0%	35.5%	32.1%	31.7%	58.4%
Debt/Underlying EBITDA (Operating) (times)	3.72	3.59	3.58	3.59	2.90
Underlying EBITDA interest cover (times)	3.58	3.42	3.85	4.16	5.75
Net tangible assets per share *	1.55	1.55	1.57	1.52	0.37
Operating efficiencies					
Passengers per operating staff **	42,786	43,261	43,906	43,404	39,774
Operating revenue per average operating staff ($)	1,176,589	1,167,648	1,144,126	1,100,051	999,028
Operating revenue per passenger ($) **	28.38	26.59	26.06	25.34	25.12
Total retail revenue per international passenger ($) **	14.31	13.19	12.87	12.21	13.17
Car park revenue per passenger ($)	2.44	2.38	2.26	2.22	2.14
Underlying operating staff costs/operating revenue (%)	8.2%	8.4%	8.1%	8.5%	8.5%

Capital expenditure

	2009	2008	2007	2006	2005
	$m	$m	$m	$m	$m
Airfield	18.4	11.7	10.2	30.1	51.3
International terminal	36.6	95.4	44.1	42.8	59.5
Domestic terminals	2.5	9.6	20.6	4.2	1.1
Carparking	11.8	4.0	0.5	16.5	1.3
Infrastructure and other	9.5	15.5	12.0	9.8	6.9
Property development	8.8	6.7	18.0	6.1	7.7
Total	87.6	142.9	105.4	109.5	127.8

Passenger, aircraft and MCTOW

	2009	2008	2007	2006	2005
Passenger movements					
International *	7,359,611	7,462,683	7,296,397	7,103,036	6,432,161
Domestic	5,653,306	5,740,089	5,068,794	4,963,142	4,823,916
Aircraft movements					
International	40,796	39,053	38,406	38,759	38,465
Domestic	116,026	120,574	117,469	122,140	119,987
MCTOW (tonnes)					
International	4,075,946	4,120,430	4,085,290	4,186,813	4,140,882
Domestic	1,774,079	1,816,370	1,661,844	1,639,690	1,586,692

Passenger and aircraft statistics

	2009	2008	% change
Cargo tonnage			
International freight and mail	169,964	191,301	-11.2
Domestic freight and mail	27,564	29,698	-7.2
Total freight and mail	197,528	220,999	-10.6

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL

Champions Trophy Case Competition

THE UNIVERSITY OF AUCKLAND BUSINESS SCHOOL
CHAMPIONS TROPHY CASE COMPETITION 2010

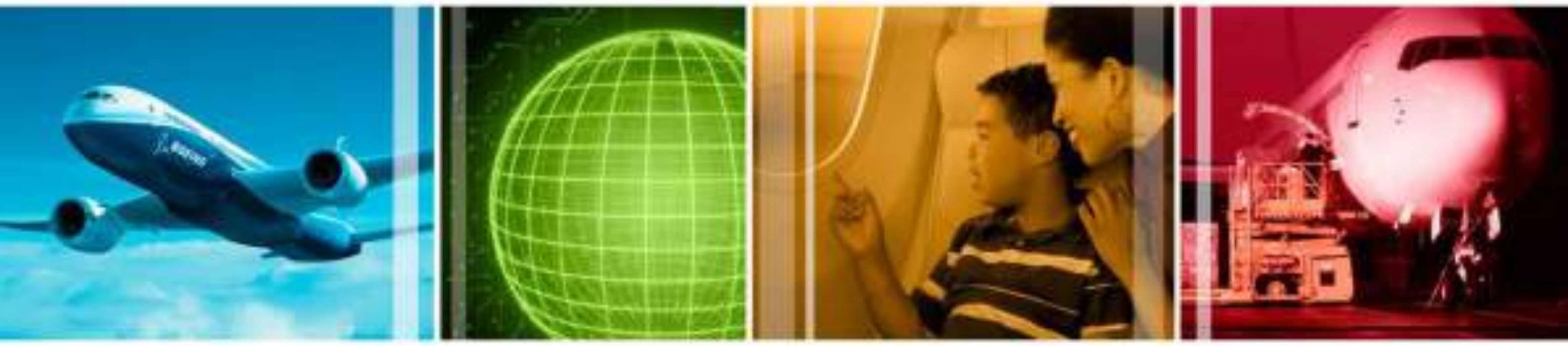
AUCKLAND AIRPORT

MARKET RESEARCH REPORTS

Photograph: Auckland Airport Duty Free

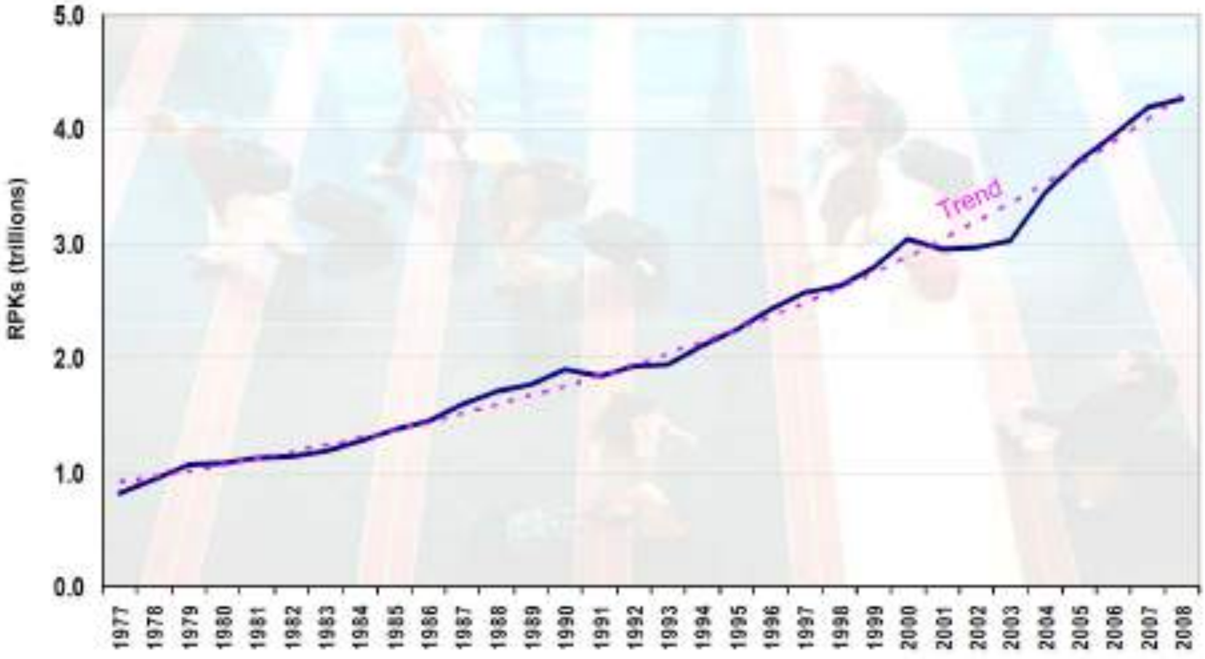
The following has been extracted and summarised from the Boeing Current Market Forecast 2009-2028, IATA Economic Briefing, Statistics New Zealand and the annual report of individual Australasian airports

Auckland Airport



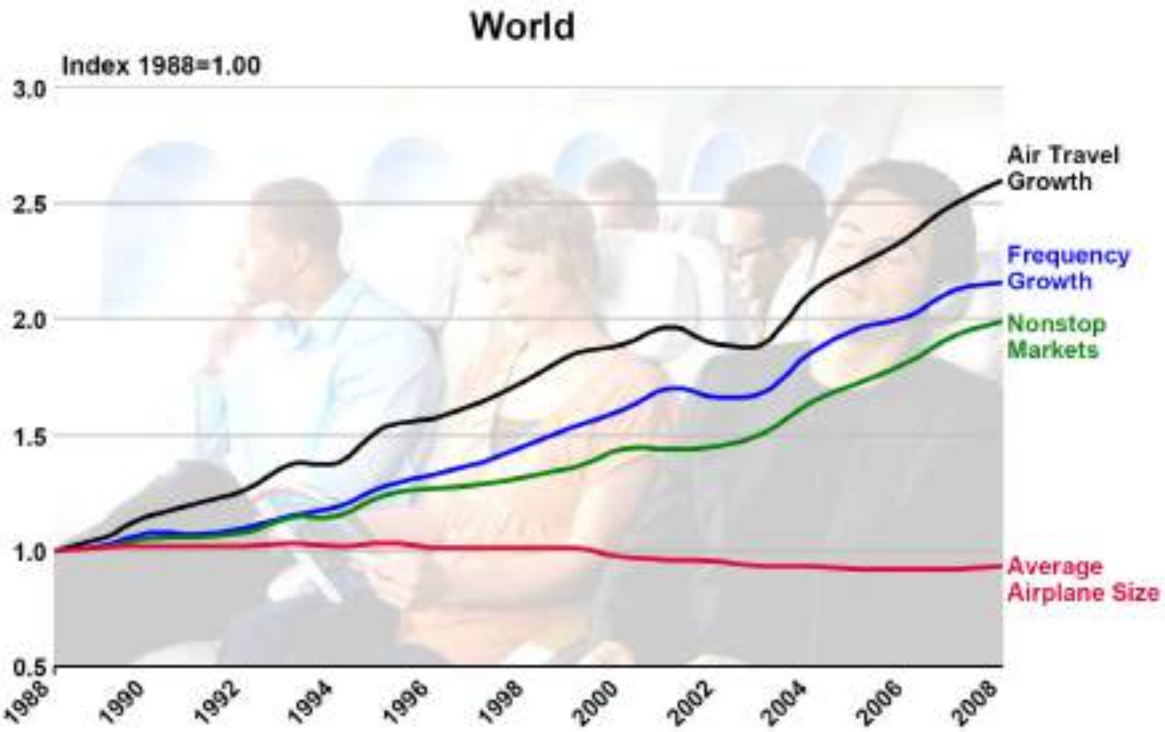
Current Market Outlook 2009–2028

World air travel has grown 5.3% per year since 1978



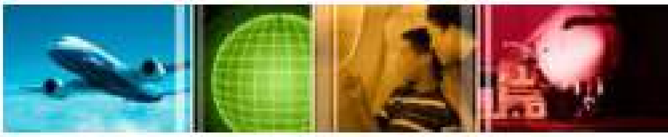
RPKs = Revenue Passenger Kilometers
Source: ICAO, Scheduled Traffic and operating profit

Air travel growth has been met by increased frequencies and nonstops



All routes
August OAG

Oceania (Australasia)



Competitive marketplace

New players continue to enter Oceania markets as countries in the region expand air services agreements. Australia and the United States signed an open skies agreement in 2008 and the number of carriers in the trans-Pacific market promptly expanded. Recent entrants into Australian international markets include several Middle East carriers, young low-cost long-haul operators like V Australia and AirAsia X, and Delta Air Lines. This additional capacity, coupled with the worldwide decline in premium demand, has weakened yields in international markets. Expanding LCC operations in Australia and New Zealand are compressing profits in domestic markets as well. Carriers with low costs and minimal premium services are faring best in the current economic environment, and traditional carriers are working hard to streamline their businesses.

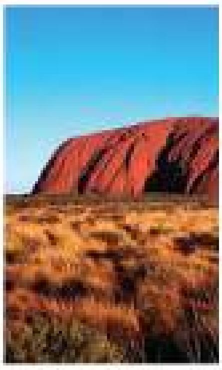
Future potential

While today's challenges are considerable, the future potential of the Oceania commercial air market is great. Air travel growth is forecast to average 5.1 percent per year over the next 20 years, slightly higher than the world average. Air transport is fundamental to tourism and international trade, major drivers of the region's economy. New, efficient single-aisle airplanes on order by the region's airlines will support continued expansion of LCC operations. New mid-size twin-aisle airplanes with increased range will enable airlines to open more direct markets. North America, China and Middle East routes will gradually gain market share against today's dominant intra-Oceania market.

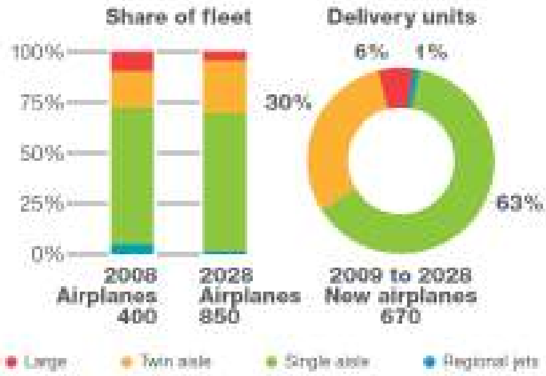
The greatest incremental traffic growth will be between Oceania and Southeast Asia. By 2028, air traffic in this market will nearly equal traffic within Oceania, thanks to fewer air service regulations, new trade agreements and Southeast Asia's prime location as a connecting point to Europe. In February 2009, ASEAN, Australia and New Zealand signed a free trade agreement that will strengthen commercial ties among the participating countries. Europe continues to be an important economic partner for the countries in Oceania, with strong markets for tourism, services and commercial goods, reinforced by cultural, political and person-to-person ties. New Zealand is in negotiations with the European Union to develop a full air services agreement with all member states. New Zealand also signed an open skies agreement with Canada in July 2009, which will lift restrictions on frequencies in this market.

Oceania (Australasia)
Airline capacity growth

Source: Official Airline Guide August 2009



Oceania (Australasia)
Market value: $90 billion



Oceania (Australasia)
Key indicators and new airplane markets

Growth measures	
Economy (GDP)	**2.9%**
Traffic (RPK)	**5.1%**
Cargo (RTK)	**6.1%**
Airplane fleet	**3.8%**
Ratio	
RPK / GDP	**1.8**
Market size	
Deliveries	**670**
Market value	**$90B**
Average value	**$130M**

	New airplanes	**Share by size**
Large	40	**6%**
Twin aisle	200	**30%**
Single aisle	420	**63%**
Regional jets	10	**1%**
Total	**670**	

	2008 Fleet	**2028 Fleet**
Large	40	40
Twin aisle	70	220
Single aisle	270	580
Regional jets	20	10
Total	**400**	**850**

IATA ECONOMIC BRIEFING

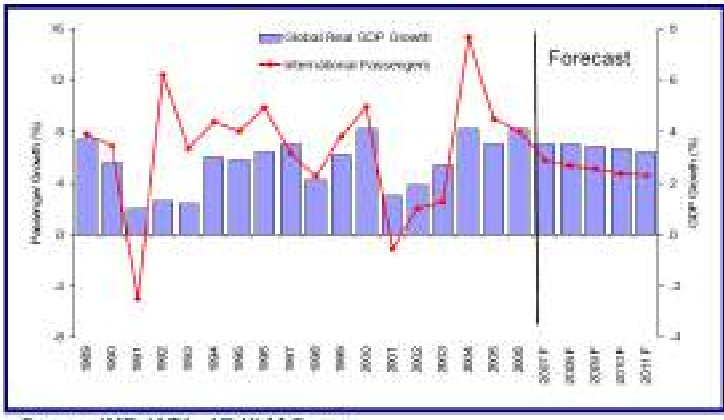
OCTOBER 2007

PASSENGER AND FREIGHT FORECASTS
2007 TO 2011

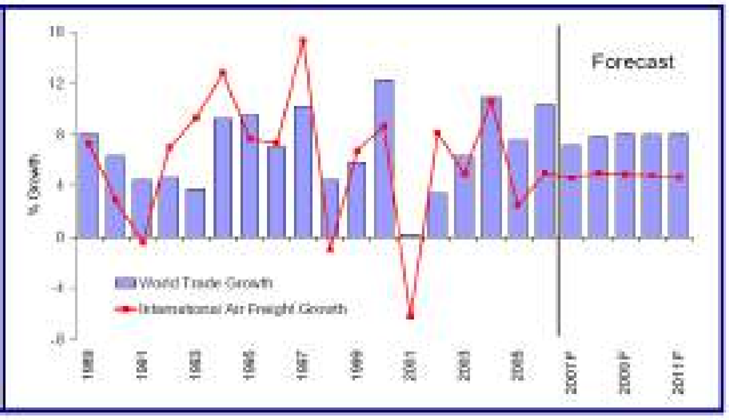
KEY POINTS

- IATA's latest forecast, based upon a comprehensive survey of the airline industry, shows that passenger and freight demand growth will continue to provide a positive boost to airline revenues over the five years to 2011. However, the profile of growth will differ. Compared to 2006 growth levels, international passenger growth is expected to slow slightly, domestic passenger growth to improve slightly and international freight growth to remain at a similar level.
- International passenger volume growth has passed its peak level for the current cycle, but will remain strong. International air passenger numbers are expected to grow at an average annual growth rate (AAGR) of **5.1%** between 2007 and 2011, lower than the average rate of 7.4% seen between 2002 and 2006. Demand growth will be weakened by slightly slower global economic growth, but will also be boosted by the liberalisation of markets and the emergence of new routes and services. Domestic passenger growth is expected to pick-up slightly, led by strong growth in the Chinese and Indian domestic markets. Domestic passenger numbers are forecast to grow at an AAGR of **5.3%** between 2007 and 2011, higher than the average rate of 4.4% seen between 2002 and 2006.
- On the freight side, international air freight traffic is forecast to increase at an AAGR of **4.8%**, lower than the average growth of 6.2% seen between 2002 and 2006, but similar to its 2006 growth level of 5.0%. Freight demand is driven by economic growth, globalisation and trade, but also faces increased competition from other modes such as shipping. The most dynamic freight markets are those associated with economies that are both fast-growing and rapidly integrating into the global economy.
- Airlines are in a better financial position than they were five years ago. But the challenges of the last five years have left the industry with little or no financial safety-net. The next five years offer significant demand growth opportunities for airlines, but competition for that growth will be strong as new capacity increases at an increased rate. Further cost efficiencies, rational capacity management and greater operational flexibility are necessary to translate the improvements already achieved into a stable and profitable industry over the next five years.
- The airline industry, and these forecasts, remain exposed to several risks, ranging from temporary negative impacts (e.g. security scares) to high fuel prices and slower than expected growth in the global economy. These risks, several of which are beyond the industry's direct control, mean that further volatility cannot be discounted. However, the fundamental factors driving growth for both passengers and freight remain reasonably positive.

i) International Passenger Growth and Global GDP



i) International Freight Growth and Global Trade



Source: IMF, IATA, AF-KLM Cargo

OUTLOOK BY REGION

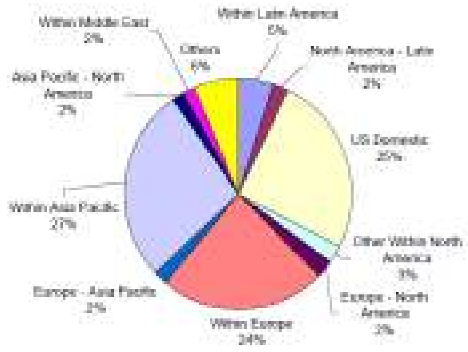
- Regional differences in passenger growth rates will largely reflect differences in regional economic growth and the structure of each regional market. The Middle East, developing economies in Asia and, to a lesser extent, Africa will be boosted by strong GDP growth, along with significant new capacity and new routes. European growth will be close to the average, though Eastern Europe will see a more rapid expansion. Relatively low Latin American growth reflects lower demand growth on key markets to North America and within the region itself. North America is expected to be the slowest growing region, reflecting both mature markets and cyclically slower growth in the US economy.
- The pattern of forecast growth in freight traffic closely follows expected growth in regional economies and trade flows. Routes linked with Asia Pacific, and China and India in particular, are forecast to show particular strength. Middle Eastern air freight is also expected to show strong growth, as the region's carriers take advantage of the current strong purchasing power for the region provided by high oil prices to increase capacity on existing and new routes.

	Average Annual Growth Rate (AAGR) 2007 to 2011	
	Passenger Numbers	Freight Tonnes
TOTAL DOMESTIC	**5.3%**	-
TOTAL INTERNATIONAL	**5.1%**	**4.8%**
Africa	5.6%	4.6%
Asia Pacific	5.9%	5.4%
Europe	5.0%	4.3%
Latin America/Caribbean	4.4%	4.2%
Middle East	6.8%	5.0%
North America	4.2%	3.9%

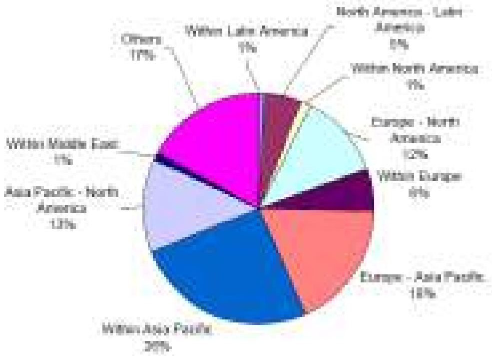
GLOBAL AIR TRAFFIC SHARES IN 2011

- Strong growth in Asia Pacific will see its share of global passenger traffic increase from 23% in 2006 to 27% of the global total of 2.75 billion passengers in 2011. This is equivalent to a 279 million increase in annual passengers within the Asia Pacific region over the five years. It will have a higher share of the global market than the US domestic market, though will still be slightly smaller than the North American market as a whole.
- International air freight volumes will continue to dominated by Asia Pacific. Freight within Asia Pacific, between Asia Pacific and North America and between Asia Pacific and Europe will account for 57% of the 36 million tonnes of international air freight tonnes in 2011, up from 55% in 2006. However, the majority of this growth is expected to be on the outbound leg from Asia Pacific.

i) Global Air Passenger Shares in 2011



ii) International Air Freight Shares in 2011



International Air Passengers by Port *Year ended December 2007*			
New Zealand airport(1)	Arrivals	Departures	Total
	(000)		
Auckland	3,214.8	3,248.0	6,462.8
Hamilton	49.5	48.6	98.0
Palmerston North	35.2	35.4	70.6
Wellington	298.1	297.4	595.5
Christchurch	817.2	792.8	1,610.0
Dunedin	37.7	37.3	75.1
Queenstown	29.9	28.1	58.0
Other	0.5	0.6	1.1
Total air passengers	**4,482.9**	**4,488.2**	**8,971.0**

(1) The New Zealand airport is where a passenger passed through the customs clearance.

Note: Figures are derived from a sample of arrivals and departures.

Source: Statistics New Zealand

Arrivals and Departures by Sea *2005–2007*			
Year ended Dec	Arrivals	Departures	Total
	Cruise(1)(2)		
2005	19,780	23,328	43,108
2006	29,758	31,701	61,459
2007	32,018	29,017	61,035
	Other sea(2)		
2005	5,453	5,852	11,305
2006	4,292	5,380	9,672
2007	5,198	4,615	9,813
	Total sea(1)(2)		
2005	25,233	29,180	54,413
2006	34,050	37,081	71,131
2007	37,216	33,632	70,848

(1) Only passengers who begin or end their cruise in New Zealand are included. Other passengers are regarded as transit passengers and are not counted, even if they leave the ship for periods while it is in New Zealand.
(2) People belonging to a ship's or vessel's crew are excluded, unless joining or leaving the crew in New Zealand.

Note: Figures are derived from a sample of arrivals and departures.

Source: Statistics New Zealand

Overseas Cargo Unloaded by Port[1]

Year ended June

Port	Exports: Gross weight 2006 (tonnes)	Exports: Gross weight 2007 P (tonnes)	Exports: Gross weight % change	Exports: Value (FOB) 2006 $(million)	Exports: Value (FOB) 2007 P $(million)	Exports: Value (FOB) % change	Imports: Gross weight 2006 (tonnes)	Imports: Gross weight 2007 P (tonnes)	Imports: Gross weight % change	Imports: Value (CIF) 2006 $(million)	Imports: Value (CIF) 2007 P $(million)	Imports: Value (CIF) % change
Seaports												
Whangarei	900,550	1,156,500	28.4	250	273	9.2	5,707,633	5,242,347	-8.2	3,689	3,692	0.1
Auckland	2,228,129	2,518,128	13.0	6,526	7,355	12.7	3,718,952	3,876,030	4.2	15,339	15,665	2.1
Tauranga	6,051,907	6,022,908	-0.5	7,259	7,539	3.9	3,830,744	3,879,882	1.3	3,850	4,659	21.0
Taharoa	943,544	682,200	-27.7	19	14	-24.6	0	0	0	0	0	0
Gisborne	388,809	589,041	51.5	80	119	48.4	4,590	7,029	53.1	2	1	-4.7
New Plymouth	1,304,226	1,374,968	5.4	1,778	1,848	3.9	347,028	488,717	40.8	219	452	106.3
Napier	1,743,720	2,078,702	19.2	2,268	2,253	-0.6	547,480	484,236	-11.6	649	585	-9.9
Wellington	705,671	818,456	16.0	807	917	13.5	1,002,735	1,217,135	21.4	1,970	2,208	12.1
Nelson	1,135,477	1,243,919	9.6	703	850	20.9	79,942	124,273	55.5	223	327	47.0
Picton	367,140	377,947	2.9	32	40	23.2	0	2,433	...	0	6	...
Christchurch (Lyttelton)	3,583,293	3,273,518	-8.6	2,608	2,624	0.6	1,139,596	1,344,764	18.0	2,266	2,613	15.3
Timaru	543,331	517,266	-4.8	1,185	1,116	-5.8	246,790	314,842	27.6	369	382	3.5
Dunedin (Port Chalmers)	1,203,237	1,530,084	27.2	3,254	4,130	26.9	263,990	264,727	0.3	344	350	1.7
Invercargill (Bluff)	606,689	648,011	6.8	1,009	1,230	21.9	1,109,811	1,125,054	1.4	413	553	33.7
New Zealand various (sea)	27,600	49,990	81.1	4	8	84.0	13,991	24,411	74.5	1	2	53.1
All seaports	21,733,333	22,881,638	5.3	27,783	30,315	9.1	18,013,282	18,394,880	2.1	29,334	31,499	7.4
Airports												
Auckland Airport	89,572	86,838	-3.1	4,142	4,401	6.2	95,541	94,426	-1.2	7,446	7,829	5.1
Hamilton Airport	2	0	...	0	0	...	0	0	...	0	0	...
Wellington Airport	729	575	-21.1	28	34	20.3	1,577	1,059	-32.8	117	72	-38.1
Christchurch Airport	16,210	16,701	3.0	985	964	-2.2	8,985	8,968	-0.2	469	503	7.4
Dunedin Airport	0	0	...	0	0	...	0	1	...	0	0	...
New Zealand various (air)	15	6	-58.4	1	0	...	1	0	...	1	0	...
All airports	106,528	104,120	-2.3	5,158	5,400	4.7	106,104	104,454	-1.6	8,032	8,405	4.6
Parcel post												
Parcel post	24	40	62.4	8	8	3.3	67	108	60.5	25	21	-17.4
All cargo												
All cargo loaded/ unloaded	21,839,885	22,985,797	5.2	32,946	35,723	8.4	18,119,453	18,499,443	2.1	37,392	39,924	6.8

Source: Statistics New Zealand

Australasian Airport Revenue and Passenger Numbers (excl. Auckland Airport)

For financial year ended 2009

Airport	Aeronautical ($'000): Landing/ Terminal Fees	Aeronautical ($'000): Departure Tax/ PSC	Non-aeronautical ($'000): Retail	Non-aeronautical ($'000): Car Park	Non-aeronautical ($'000): Rent	Passenger Numbers: Domestic	Passenger Numbers: International	Aircraft Movement: Domestic	Aircraft Movement: International
New Zealand									
Hamilton [1]	3,283		532	1,509	1,803	336,320	86,694	148,000	
Palmerston North	2,321		1,585		N/A	≈ 429,000	N/A	≈ 5,400	N/A
Wellington [2]	42,343	6,389	36,509		10,819	4,645,402	610,996	94,652	5,828
Christchurch	23,426	15,975		9,209	37,765	4,333,294	1,574,783	70,849	11,224
Dunedin [3]	2,900		4,793			715,787	50,419	N/A	N/A
Queenstown	5,088	766	N/A	1,211	3,371	609,894	74,585	8,264	
Australia									
Adelaide	79,209		28,124		30,835	6,392,681	543,222	75,353	
Brisbane	289,000					14,757,398	4,100,024	≈ 65,000	≈ 14,000
Cairns [4]	71,918					2,963,540	892,878	48,699	
Melbourne/ Launceston [4]	171,000		183,000		53,000	20,460,000	4,770,000	177,500	25,200
Perth	79,088		34,264	40,778	54,585	7,116,276	2,618,775	66,521	14,717
Sydney [4]	390,126		191,977	113,596	112,454	22,200,000	10,400,000	213,992	58,138

(1) Hamilton Airport includes aircraft movements from the CTC Flight Training organisation that operates out of the airport. The figures presented are for financial year 2008 as this was the latest publically obtainable annual report at time of printing.

(2) Wellington Airport owns a subsidiary, iSite Ltd, who operates throughout NZ providing out of home advertising products to the media industry eg billboards and mobile advertising mediums.

(3) Dunedin Airport owns and operates a dairy farm. Based on milk production figures, the case-writer estimates this contributes approximately $930,000 to the company's non-aeronautical revenues.

(4) The figures presented are for the financial year 2008 as this was the latest publically obtainable annual report at time of printing.

Note:

All figures have been obtained from the relevant airports annual report. The figures are not always directly comparable due to differences in accounting policy. Auckland Airport's classification categories have been used in an attempt to maintain comparability. Figures have marked "N/A" where they are not obtainable. The case-writer has used his judgement in the classification of certain items and this may differ from the relevant annual report.

The University of Auckland Business School

Champions Trophy Case Competition

Champions Trophy Case Competition 2010

The University of Auckland Business School

Auckland Airport

Selected Press Articles And NZX Announcements

Photograph: SmartGate

The following has been obtained from the press as indicated

Auckland Airport

Auckland Airport

Issued: 22 December 2009

aucklandairport.co.nz

November 2009 Monthly traffic update

0.8% International passenger volumes excluding transit and transfers were up 0.8% in November 2009 over last year. There was positive growth from the two main countries (NZ and Australia) and improving signs from Japan, China and Korea.

11.0% Australian arrivals continued to experience strong growth due to increased capacity, lower fares and increased marketing.

7.0% Domestic passenger volumes for November were up significantly compared to the prior year

4.8% Arrivals from Japan were up in November 2009 versus November last year, the first positive variance for that market in 12 months.

Passenger Movements	Current month (Nov 09)	Previous years period (Nov 08)	% Change (month)	Financial YTD (Nov 09)	Previous financial YTD (Nov 08)	% Change financial YTD	Rolling 12 month total	Previous 12 month total	% Change in rolling total
International arrivals	273,186	269,959	1.2%	1,351,945	1,333,003	1.4%	3,212,385	3,238,780	-0.8%
International departures	260,703	259,515	0.5%	1,295,659	1,277,869	1.4%	3,217,934	3,253,080	-1.1%
Transits and transfers	71,858	73,892	-2.8%	385,638	446,984	-13.7%	904,678	992,606	-8.9%
Total international passengers	605,747	603,366	0.4%	3,033,242	3,057,856	-0.8%	7,334,997	7,484,466	-2.0%
Total domestic passengers *	503,395	470,595	7.0%	2,512,513	2,380,259	5.6%	5,785,560	5,874,051	-1.5%
Aircraft Movements									
International aircraft movements	3,482	3,371	3.3%	17,851	16,930	5.4%	41,677	39,998	4.2%
Domestic aircraft movements	9,497	9,989	-4.9%	46,911	50,087	-6.3%	112,849	121,688	-7.3%
Total aircraft movements	**12,979**	**13,360**	**-2.9%**	**64,762**	**67,017**	**-3.4%**	**154,526**	**161,686**	**-4.4%**
Top 10 arrivals by country of last residence									
New Zealand	117,089	113,200	3.4%	716,045	701,139	2.1%	1,481,142	1,485,538	-0.3%
Australia	49,262	44,368	11.0%	243,087	208,616	16.5%	609,720	541,875	12.5%
United Kingdom	20,764	21,461	-3.2%	65,244	71,931	-9.3%	219,099	246,295	-11.0%
United States of America	14,126	14,956	-5.5%	55,400	54,768	1.2%	153,862	167,463	-8.1%
China, People's Republic of	10,408	11,094	-6.2%	32,765	36,159	-9.4%	101,327	107,811	-6.0%
Germany	6,555	6,225	5.3%	20,262	18,671	8.5%	50,780	47,180	7.6%
Japan	4,506	4,300	4.8%	20,941	28,830	-27.4%	54,285	71,033	-23.6%
Canada	4,261	4,456	-4.4%	13,505	13,618	-0.8%	41,592	44,760	-7.1%
Korea, Republic of	3,465	3,703	-6.4%	17,432	23,231	-25.0%	43,473	61,674	-29.5%
Netherlands	2,784	2,829	-1.6%	6,331	6,696	-5.5%	19,825	21,157	-6.3%
Purpose of visit to NZ									
Business/Conference	45,009	45,014	0.0%	195,086	216,956	-10.1%	429,291	494,132	-13.1%
Holiday/Vacation	73,278	72,930	0.5%	263,155	258,967	1.6%	734,515	750,116	-2.1%
Education/Medical	5,332	4,866	9.6%	33,695	34,374	-2.0%	78,851	79,549	-0.9%
Visit Friends/Relatives	45,011	42,262	6.5%	192,077	173,860	10.5%	570,800	532,653	7.2%
Other (incl Not Stated/Not Captured)	105,927	103,795	2.1%	665,573	641,952	3.7%	1,390,705	1,370,668	1.5%

This monthly traffic update from Auckland International Airport Limited (AIAL) is generated with assistance and data from Statistics New Zealand, the New Zealand Customs Service, Airways New Zealand and AIAL. **International passenger movements** are actual, **domestic passenger movements** are estimated by AIAL. This document is intended for information purposes. It should not be considered a recommendation, offer or invitation to purchase securities. All reasonable steps have been taken to ensure that the information is true and accurate at the time of publication. * Estimation using best available data.

Airport pulls back on new runway (extract)
By Grant Bradley
29 August 2009
New Zealand Herald
NZHLD
English

Auckland Airport is putting the brakes on building its northern runway to save $9 million this year as it forecasts a weakening in underlying profit due to soft passenger numbers.

The company said the operating environment was "brutal" and it was not certain whether the aviation sector was through the worst.

Chief executive Simon Moutter said he took the helm just as world markets collapsed but had finished the year in good shape.

While the current year's forecast profit was down with passenger volumes likely to remain subdued, the prospects for the 2011-2012 financial year were better.

"What we have indicated is that with some return to growth in passengers the outlook is very favourable."

Moutter said the northern runway would be deferred for 12 months to allow passenger volumes to catch up.

The first stage of the runway was due to be completed by 2011 but had no direct connection to providing Rugby World Cup infrastructure as it was a narrow 1200m runway suitable only for small commuter planes.

Construction began last spring and was well ahead of schedule and theoretically could be finished on schedule if passenger numbers picked up markedly against the trend.

"We must carefully ensure the additional infrastructure capacity is delivered on time to meet future tourism and trade demand - not ahead of or behind this demand."

The company would have to spend $2 million preserving work already underway and demobilising the contractor. The pause would also give the airport time to clarify with the Commerce Commission what valuation methodology would apply to the runway.

The deferral for six months of some aeronautical charges for airlines would cost it $2 million.

Moutter said the company was working with several more proactive airline customers to help drive the aviation market.

Air New Zealand, the company's biggest airline customer, and often its biggest critic, has praised the airport although it still has underlying issues with its cost structure.

The airline's chief executive, Rob Fyfe, said on Thursday the relationship with the airport was improving.

"In contrast to some other airports we're being treated more as a customer rather than a cow to be milked."

Moutter said although Pacific Blue and Jetstar had begun new international services during the past year, long-haul route development work took more than 18 months to show up in results.

The airport has come off a five-year intensive building programme costing $500 million but had reduced spending over the last year to $87.5 million, which had been invested in a range of airfield, terminal, retail and property projects.

Those included completion of Pier B of the international terminal, the opening of new off-terminal parking, ongoing work on the northern runway, and a start to first-floor redevelopment at the international terminal.

The airport says it will pay a fully imputed final dividend of 4.45c a share, bringing total ordinary dividends to 8.20c a share. Its share price finished up 1c at $1.76.

Site work starts on new airport hotel
By Grant Bradley
489 words
30 October 2009
New Zealand Herald
NZHLD
English

Auckland Airport hopes work on its joint venture hotel next to the International Terminal will start in December.

Preliminary site work is under way for the $80 million hotel, expected to be finished in time for the 2011 Rugby World Cup.

At the airport company's annual meeting chief executive Simon Moutter said the hotel was the first project in an accelerated property development programme.

The airport earns around 55 per cent of income from its non-aeronautical business (including retail) and has around 50 years' supply of prime commercial and industrial land available.

The hotel is a new approach to development for the company, given that it will have a 20 per cent stake in the 260-room four-star-plus property. The other partners are Tainui Group Holdings and Accor Hospitality. Traditionally the airport has not taken a direct stake and simply charged ground rent.

Moutter said the project was conditional on financing and getting a construction bid that fitted the business case.

"They were both conditions we were confident about. We're now clear we've got a path to finance and we just wait for construction bids."

"If we get a bid that fits inside the envelope we'll be all go."

Chairman Tony Frankham said the company was on track for an after-tax profit of between $93 million and $100 million in the 2009/10 financial year. "Forecasting is difficult when global travel demand conditions are unstable and passenger volume growth remains uncertain."

For the first three months of this financial year international movements were up 1.2 per cent to 1.6 million and domestic passenger movements up by 5.1 per cent to 1.5 million.

Frankham said the company would continue to remain "fully engaged" with the Commerce Commission consultation process that is working towards a new information disclosure regime at Auckland, Wellington and Christchurch airports.

Any regulatory regime covering what the company can charge in landing fees needed to take into account the airport's role as a tourist gateway.

Frankham said that for every million passengers arriving, $2.5 billion was pumped into the New Zealand economy.

"We do not wish to become mired in debates among economists and lawyers and risk losing sight of the bigger prize; that is, our potential to contribute to a recovery from recession by stimulating trade and tourism."

In response to questions about access to the airport, Frankham said he shared the frustration of fellow commuters.

"I find the transport from the airport to the city most infuriating as more often than not I leave the airport at five o'clock and get clogged up and take an hour and a half to reach the city."

Auckland Airport shares closed down 1c at $1.97.

Digital fast-track for travel
By Kara Segedin
257 words
4 December 2009
New Zealand Herald
NZHLD
English

Transtasman travel has become a lot easier with the introduction of the SmartGate system at Auckland Airport.

Prime Minister John Key became the first person to sign in with the new technology yesterday.

Customs NZ deputy controller John Secker said the opening of Auckland's SmartGate was the biggest development in border processing in 20 years.

Passengers with Australian or New Zealand electronic passports can now fast-track into the country by using a new automated system.

Travellers scan their passports at a kiosk, answer questions using a touch screen and are issued with a ticket.

At the gate, a camera scans the passenger's face using biometric facial recognition technology.

If there is a match with the image stored in the passport, the gate opens.

It is hoped the system will make arriving at Auckland Airport a more pleasant and rapid experience, and improve security.

Auckland Airport chief executive Simon Moutter said the SmartGate gave travellers more choice and control.

``Making international travel easier will help grow international tourism and trade which will help in New Zealand's economic recovery."

Mr Key said the system was now only for New Zealand and Australian passport holders, but it would eventually be available for all passengers.

There were also plans to introduce the technology to other airports.

``In my view, tourism is going to be the largest export earner New Zealand has," he said. ``In the years ahead, we are going to see more people travelling to New Zealand."

Capital gains new business lounge for airborne masses
By Grant Bradley
251 words
11 December 2009
New Zealand Herald
NZHLD
English

Wellington Airport will next week open a business lounge for one-off use by the masses - for a price.

Its new "Wild at Heart Lounge" overlooking the Tarmac will open on Tuesday, with admission costing $19 over the next three months.

It will then go up to $25 although subscription options will then become available.

Up to 85 travellers will be able to graze on a selection of light food changed throughout the day and "boutique-style wines and beer with a local flavour where possible", a spokeswoman said.

Besides food and drink it will have newspapers, magazines, Wi-Fi and office facilities as well as showers.

The lounge will be popular with Pacific Blue and Jetstar business travellers who are not members of the Koru Club run by Air New Zealand. Koru Club individual charges, including a joining fee, are listed at $745 for individuals and $595 for corporates.

Wellington Airport chief executive Steve Fitzgerald said the new lounge could be used as a place to meet guests and colleagues.

"CEOs and CFOs of Wellington businesses and organisations have told me that they would like to see a lounge facility available for all business travel, supporting company policies of 'best fare of the day'," he said.

The lounge is on the second level of the main terminal. A spokeswoman said although the lounge was tailored especially to meet business travellers' needs, it would be open to anyone, including children.

More passengers help Akl Airport profit outlook
11 December 2009
New Zealand Herald
NZHLD
English

Auckland Airport is expecting 2010 net profit to be at the high end of its previously announced range, between about $93 million and $100m, mainly due to improving passenger numbers.

Total international and domestic passenger numbers for the first five months of the 2010 financial year had been ahead of its previous planning assumptions, the company said today.

The improved passenger volumes had been seen consistently in the past three months, providing confidence in the sustainability of the improvement.

But the passenger benefits had been partially offset by landing charges running lower than originally assumed as airlines reduced the average size of aircraft, Auckland Airport said.

The company also said that despite encouraging signals of returning stability and confidence in the aviation sector, it had decided to hold landing fees at current levels for another two months.

Aeronautical charges had been due to rise from last July, with international and domestic landing fees due to rise 2.5 per cent and the passenger service charge (PSC) paid by international passengers due to rise from $13.00 to $13.50.

But due to challenging conditions in the industry, international landing fees were discounted by about 5 per cent and domestic landing fees were left unchanged, although the rise in the PSC was implemented.

Today, the airport said it would revert to the 2009/10 pricing schedule from March 1.

- NZPA

More than a wharf needed to encourage cruise ships (extract)
11 January 2010
New Zealand Herald
NZHLD
English

For 17 days last year, up to 2000 passengers got off their luxury liner and stepped onto a wharf with a tin shed and little in the way of basic services.

Welcome to New Zealand and Auckland's Queen's Wharf - party central for the Rugby World Cup if you are talking to Prime Minister John Key, or a poor excuse for a second cruise ship terminal for the country's largest and most important cruise port if you are talking to cruise industry lobbyist Craig Harris.

"It's one of our major concerns at the moment. Would we treat people at an airport like we treat cruise passengers? We are light years apart."

Harris who manages cruise ship port calls through his business McKay shipping and is chief executive of cruise marketing group Cruise New Zealand, says the cruise business has grown phenomenally but supporting infrastructure is struggling to keep up.

In the 1996/97 cruise season fewer than 20,000 people visited New Zealand by cruise ship. By 2008/09 it had grow to a record 116,000.

This season the numbers are expected to be down to 105,000 as the result of one liner delaying its cruises until next year as a result of the economic recession.

But Harris says next season - which starts in October this year - will be another record breaker with cruise visitors expected to top 130,000 people.

Harris says the number of cruise passengers is growing worldwide. In New Zealand, the major growth has been driven by more Australians wanting to travel by cruise ships.

The recession had caused a travel division with American and European travellers pulling out of cruises and Aussies increasing in numbers.

Australian cruise passengers have grown from 26,000 to 42,000 in the last year alone.

"We are getting more and more ships coming from Australia and visiting New Zealand," says Carnival public relations manager Anthony Fisk.

Rather than hindering business, Fisk says the recession has helped the cruise industry continue to grow.

"People like the inclusive nature of it, as well as safety and the ability to wake up in a new destination each day."

And now things are picking up again Fisk does not see that changing. "We see cruising will keep on growing."

But with the growth has also come challenges to keep up.

"The challenge for New Zealand is to ensure there is enough infrastructure put in place and to give an experience that will make people want to return."

Fisk said there was a marked difference in the facilities available for cruise ships throughout the country. "Some are just basic wooden wharfs while others are designed for cargo drop-offs, not passengers."

But there had been some improvements.

Airport forges Cairns link
683 words
12 January 2010
The Southland Times
SLANDT
19
English

JENNY KEOWN

AUCKLAND International Airport (AIA) aims to attract more Australian and Asian low-cost airlines to grab a larger slice of the Asian tourist market through taking a a $166 million, 24.5 per cent stake in North Queensland Airports (NQA).

But analysts say questions remain about whether the purchase of a stake in the firm that runs Cairns and Mackay airports would deliver on the AIA's aims.

The deal will be funded via debt and equity for settlement tomorrow conditional on NQA's financier approvals.

AIA chief executive Simon Moutter said yesterday that the deal would enable it to work with Cairns as a strategic stepping stone to strengthen air connections between Asia and New Zealand. The airport's position on the NQA board would allow it to present "beefed-up proposals to airlines", such as promoting Cairns and Auckland as dual tourist destinations for Asia, he said.

"New-entrant airlines don't really know much about the market, and want to know if they can fill their planes. Airports are often in discussions with each other about routes but it's often fragmented.

"Some of these airlines are huge businesses by New Zealand standards and have airports around the world pitching to them. You've got to do a better job of it and make it easy for them, because we're not the easiest destination to get to," Mr Moutter said.

It would cause a small amount of earnings per share dilution, ahead of an expected rebound in international passenger numbers, he said. But it would be "strongly value accretive", he said, offering an equity return of about 15 per cent, with an 11 per cent cost of capital.

Within five years, the potential benefits to AIA are estimated to be 100,000 passengers annually, delivering earnings before interest tax, depreciation and amortisation of up to $2.3m a year and over $100m to the economy annually.

But First NZ Capital analyst Rob Bode said whether AIA's deal would attract more international low-cost airlines to New Zealand was unclear. "Any earnings dilution will be quickly made up if it can add to its case to attract low-cost carriers to New Zealand. But whether that can be substantiated is an unknown."

AIA's shares closed yesterday off 6c at $2.02.

Mr Bode put the fall down to uncertainty about how long earnings would be adversely affected because of the purchase.

Mr Moutter said the deal was a modest-sized investment, and represented 5 per cent of AIA's assets.
He acknowledged there were different views on how much influence AIA would be able to wield, but estimated "meaningful benefits" within 18-24 months.

"That's the sort of time it takes to build a relationship with airlines and open new routes."

AIA planned to communicate clearer objectives in a month once it's had discussions with other investors in NQA, he said.

Mr Moutter said it was confident in the "turn-around story" at Cairns Airport, the gateway to tropical North Queensland, including Great Barrier Reef and Wet Tropics Rainforest. The airport's international passenger volumes fell from 1m a year in 2007 to 500,000 in the 2010 financial year, but were expected to rebound from an increase in Asian inbound tourism.

The airport has a new long-term strategic agreement with Asia- focused Jetstar and the Australian Federal Government has announced tourism and airline support packages.

Mackay Airport was an access point for the Bowen Basin, one of the world's largest coal-mining areas. Standard Poor's said yesterday AIA's acquisition reduced its capacity to undertake further "step out" opportunities at its A- rating in the short term.