

Market Release | 23 April 2020

Auckland Airport provides market update

Last month, Auckland Airport provided preliminary passenger data for the month of February 2020 and an indication of international passenger data for the first ten days of March 2020.

New data for March 2020 shows total passenger numbers were down -42% on the March 2019 result. Initial data for international passengers only for the first 20 days of April has shown a -95.3% decline on the previous corresponding period in April 2019. Auckland Airport anticipates the downturn in international passenger numbers to continue, with fewer repatriation services expected in the weeks ahead.

Chief Executive Adrian Littlewood said Auckland Airport had been materially impacted by the pandemic, and it was now operating at about 10% of its capacity with no certainty in the near term of when the market would recover. He said the organisation had made the tough decision to start consulting with staff about proposed changes to staffing levels, in line with a much smaller capital programme and fewer flights and people travelling.

“This is a difficult day for our organisation. Only weeks ago, our team was charging ahead with our infrastructure development programme that included transformational projects that we were all proud to be leading.

“COVID-19 has had a profound impact on aviation and our tourism industry, and like many other organisations we are now having to make changes that would have seemed unimaginable only months ago.

“The picture is still emerging and while we are hopeful of borders opening up across the Tasman, the reality is it may take some time for people to begin travelling internationally

again. In the near term, the restart of our business is likely to be a much smaller, domestic-focused operation.”

Mr Littlewood said the number of Auckland Airport employees had grown by 40% over the past 18 months to support the company’s infrastructure development programme, a series of more than 200 projects designed to accommodate further growth in trade and travel. Following the outbreak of COVID-19, Auckland Airport had made the decision to defer the majority of projects, with growth projections in travel numbers no longer holding true.

“It’s been extremely tough on everyone in the team to see progress stall, but with our revenue streams materially impacted and no certainty about the future, we have had to move quickly to cut costs,” he said.

Along with project deferral, Auckland Airport has reduced remuneration for the Board of Directors and leadership team by 20%, lowered employee salary/hours by 20%, significantly downsized outsourced contracts, deferred pay increases for some employees in agreement with their union, cut all discretionary spending and made the difficult decision to release 105 fixed term and independent contractors.

“Despite all of these measures, we have now reached the point where we need to reshape our organisation in line with a much smaller capital programme as well as our expectations for materially lower international passenger numbers for the foreseeable future.”

Auckland Airport currently employs about 600 people, and the proposed additional staff changes are likely to impact staff broadly across the business, including those in the company’s infrastructure development programme.

“These are talented, good people and this news will be upsetting for the whole team. We are committed to supporting our people as we go through this process over the coming weeks, as we work to understand what the future holds for Auckland Airport and what that means for the shape of our organisation,” said Mr Littlewood.

Before the outbreak of COVID-19, there were 29 airlines operating at Auckland Airport. That number has now dropped to 11, with the number of daily flights reducing from 500 to 80. The airport’s main airline partner, Air New Zealand, has said it is expecting to operate largely as a domestic operation for the foreseeable future.

Mr Littlewood said Auckland Airport would continue to incur significant costs to run airport operations despite the fall in air traffic and passenger numbers. The \$1 billion placement carried out earlier this month and the ongoing \$200 million share purchase plan would help fund the organisation's operating cash flows, the completion of a small number of capital expenditure projects that have not been suspended or cancelled as well as debt servicing costs, while demand for travel continued to remain materially impacted.

The reduced infrastructure development programme still prioritises selected capital projects that are focused on essential safety and asset maintenance, including the planned runway pavement replacement.

With fewer planes now flying, Auckland Airport is working to carry out runway construction at the earliest available time. Safety continues to be the number one priority, and preparation for the safe operational plan for construction is almost complete.

ENDS

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