

Market Release | 26 March 2020

Auckland Airport provides market update on its response to COVID-19

Following the outbreak of COVID-19 and the sudden impact on tourism and aviation markets, Auckland Airport today provided a further update on its response to the pandemic.

Chief Executive Adrian Littlewood said Auckland Airport had moved quickly to respond to the swift reduction in flight and traveller numbers, with international passenger numbers expected to be close to zero in the near term.

“Our first priorities have been to respond to the daily changes announced by the Government and airlines and to keep our people and passengers safe and well. We are working hard to maintain our airport operations so people can get home and to support the Ministry of Health and border agencies in protecting New Zealand from the spread of COVID-19.

“Auckland Airport is a resilient business, but these are unprecedented times and we are now moving quickly to identify ways that we can manage the impact on our organisation. As we face an uncertain future, we are having to make some tough decisions.”

Mr Littlewood said Auckland Airport had taken steps to confirm its liquidity position and introduced measures to substantially reduce its future operating costs and capital expenditures.

- Auckland Airport has unrestricted cash of \$340 million and an additional \$485 million of undrawn bank facilities.
- Today Auckland Airport has decided to suspend selected capital expenditure projects with a completed value of more than \$2 billion, until there is more certainty about future market conditions.
- In its recent interim results, Auckland Airport demonstrated strong operating

cost control and in the current environment that focus is being accelerated with the elimination of all discretionary spend where possible.

- These follow earlier decisions from Auckland Airport to withdraw earnings and capital expenditure guidance for the current financial year to 30 June 2020, and to cancel its interim dividend.

Mr Littlewood said a small number of projects were still under review, but those suspended included the second runway, the Domestic Jet Hub, a multi-storey carpark, Park & Ride South and construction of the 146-room Mercure Hotel near the airport shopping centre.

“Our long-term plans remain the same, but until we know more about how long the market will take to rebuild and recover, it’s not possible to keep these projects open, on hold and continuing to generate significant costs.

“While some of these projects were in construction, several were about to start so it was important that we made these decisions early before physical works began on site.

“For many years we have been working towards our ambition to build New Zealand an airport of the future, so for our partners and the team here at Auckland Airport, it is enormously difficult to see progress stall.”

Mr Littlewood said Auckland Airport remained committed to completing a number of key infrastructure projects, including construction works associated with various roading projects and upgrading the runway pavement.

“The runway pavement works have long been planned, and we are absolutely committed to this project and working through the detail of when we complete the works, while maintaining safe and reliable airfield operations.”

Auckland Airport is also consulting with a large number of its employees around a proposal to reduce hours and salaries by 20%. The Board of Directors, the Chief Executive and the Leadership Team have already agreed to reduce their remuneration by 20%.

Over the last week Auckland Airport has also made the difficult decision to release about 90 fixed term and independent contractors, who are working in positions that are no longer needed given the current circumstances. These roles do not relate to essential airport services.

“The decision to release these contractors was not taken lightly. Many of these people have strong connections to Auckland Airport and we are very sorry to see them go,” said Mr Littlewood.

“Auckland Airport has been serving New Zealanders for more than 50 years, and we are working hard to ensure we are in a strong position to rebuild quickly once market conditions improve. I would like to thank our people for all the professionalism and dedication they’ve shown at a really challenging time.”

Auckland Airport will continue to keep the market updated as significant new information emerges.

ENDS

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