Partnership        Passion         Innovation         Integrity        Success

gateway for
development
“Deliver sustainable growth in revenue and earnings

Strategy
Maintain competitive pricing and cost structures
Build international air capacity
Increase the numbers of departing international passengers
Grow and diversify non-aeronautical revenue streams
Effectively and efficiently develop and use our assets

Achievements
- 8.2% growth in total passenger numbers
- 25% growth in international passenger numbers
- 3% growth in domestic passenger numbers
- 17% growth in aeronautical revenue
- 7% growth in non-aeronautical revenue
- Achievement of $16.551m Net Profit After Tax

New services with increased leisure options
- Increased connectivity to two global hubs — Los Angeles (Air New Zealand) and Dubai (Emirates) — both offering significant passenger and airfreight capabilities
- Korean Airlines returned for the summer season
- Singapore Airlines committed to a daily all year round service — a 40% increase in capacity in the winter season
- Rarotonga as a new destination (Pacific Blue and Air New Zealand)
- For the first time Christchurch is an international hub with Pacific Blue and Air New Zealand using Christchurch as a hub for the Melbourne/Rarotonga service
Case study

“As Christchurch grows, we’ll still be in the position to service our ever-growing client base whether they are north, south, east or west. It’s a win-win-win situation.”

Pete Mabin, branch manager, Fliway Transport

Multi-Million dollar development

Aviation is a turbulent industry and to plan for sustainable growth we need to develop our non-aeronautical revenue. That is why securing a multi-million dollar freight forwarding development deal with Fliway Transport Limited is an important achievement. A New Zealand owned company, Fliway Transport, is a well-established professional logistics, transport and freight forwarding organisation with strong alliances to the major international express company UPS. For CIAL, this development demonstrates our position as a transport hub — the gateway for South Island business to access global markets.

The location is ideal for an organisation like ours. We’re next door to the runway for our international freight forwarding unit, we have the space to grow our logistics business and our transport unit is in the perfect geographical spot. As Christchurch grows, we’ll still be in the position to service our ever-growing client base whether they are north, south, east or west. It’s a win-win-win situation said Pete Mabin, branch manager at Fliway Transport.

Purpose built, the facility is based on Fliway’s successful Auckland model — an excellent example of multi-modal design where the building can be extended with ease. The total site area to be developed covers 16,200 square metres and will include offices, warehouse, loading dock areas and container canopies. It’s the largest specialist freight development undertaken by CIAL.

Work commenced on the project in April 2005 with the warehouse being scheduled for completion in late October 2005 and the office area due in December 2005. With the airport company’s experience in purpose built facilities, we’ve been able to work through the project with comparative ease, making the process fluid and lucid said Mabin.

And that is just the beginning. If our levels of growth continue at the current rate — expansion of the facility is inevitable. Here, we’ve got the space to grow added Mabin.
Los Angeles Direct — Good News for Tourism and Exporters

On 2 November 2004, the first flight to Los Angeles took off from Christchurch — providing direct non-stop access into North America. Peter Townsend, Chief Executive of Canterbury Employers’ Chamber of Commerce has called the Christchurch — Los Angeles direct link a quantum leap forward. While the direct service eliminates the need for an Auckland transit which can add hours onto a trip, there are all sorts of inherent advantages other than just saving time. Air New Zealand’s commitment to this direct link ex-Christchurch is a signal of its confidence in the future of our community.

The airport company has worked hard to bring new services and extra capacity into Christchurch and the South Island — initiating an aggressive marketing strategy with airline partners and increasing the level of promotion in the North American market. It’s part of our commitment to work in partnership and develop destination awareness.

In the peak summer season, the direct service offers up to 1200 seats a week each way between Christchurch and the USA along with approximately 20 tonnes of freight per flight — giving exporters the opportunity to get their products to North America and Europe faster and more efficiently than ever before.

Most importantly, the non-stop flight is especially crucial for chilled and frozen cargo where any disruption to temperature can have a significant impact on quality. Nelson based NZ King Salmon and Christchurch based Southern Rainbow are among the companies to enjoy the benefits of this non-stop service with a significant reduction in delivery time, handling and transferring of goods.

At the same time South Island tourism operators experience significant benefits through increased visitor nights, visitor dollar spend and direct, convenient access to their products and services. In fact, tourism operators will be able to tap into a tourism spend worth approximately $800 million to New Zealand per year. Better still, there is huge potential for growth. During the summer season the three B747 services saw the number of North American passengers flying into Christchurch each week increase by 70% from 2003. We believe it can grow even further.

In order to cater for the growth in services, the 2004 International Terminal Expansion was critical. The project ensured that the airport has the facilities to cater for new services and also ensured optimal utilisation of the international terminal asset. Alongside demands on infrastructure, the new Los Angeles service opens the door to new compliance challenges. The airport must now meet with the Transportation Security Administration (US regulatory body) compliance requirements — a challenge that the company embraces wholeheartedly as we strive to maintain a safe, secure and reliable operating environment.
Strategy
Develop Christchurch route attractiveness
Consolidate our position as the hub and gateway for the South Island
Promote our key tourism destinations of the South Island and Australia

Achievements

> 28% market share of inbound holiday travel

> Participation in tourism events (Consumer travel shows in Australia, TRENZ in Christchurch)

> Joint venture marketing initiatives with a wide range of partners promoting Christchurch and the South Island to an estimated value of $6.5 million. Promotions included:
  - Gold Coast Airport
  - Outbound Travellers Magazine
  - Air NZ Los Angeles integrated online and print campaign
  - Emirates/Christchurch campaign
  - Korean Air campaign
  - Singapore Airlines
  - Qantas
  - Pacific Blue Ski campaign
  - Freedom Air/House of Travel campaign

> Established customer focused websites that provide easy access for our customers and position Christchurch as the gateway for the best of the South Island
  - www.travelinfo.co.nz
  - www.skidealsnz.com
  - www.flychristchurch.com

> Planning continued for the development of new leisure-focused terminal facilities

> Increased direct connectivity to 11 international ports: Sydney, Melbourne, Brisbane, Coolangatta, Singapore, Seoul, Tokyo, Osaka, Nadi, Rarotonga, Los Angeles

> Leadership and coordinating role with Regional Tourism Organisations in the promotion of South Island wide and/or specific location marketing activities including Mount Hutt Marketing Group, Mackenzie Winter Marketing Group and the Wanaka Winter Marketing Group

Become a leading airport in holiday travel in New Zealand
Case study

“We are lucky to have a good working relationship and we are committed to developing more partnership initiatives in the future.”  
Mark Frood, General Manager — Marketing, Destination Queenstown

**Marketing New Zealand Ski Tourism**

An important element of our commitment to regional development is to ensure travellers have the best access to the South Island holiday product. To achieve this, we need to be pro-active — find innovative ways to promote the South Island as a destination and of course, air services to Christchurch. Take our role in ski marketing for example. Approximately 50,000 Australians alone currently ski in New Zealand each year. It is an important market that offers potential growth outside the peak summer season.

In line with research from Tourism New Zealand on the savvy and aware interactive traveller market, we have developed an online solution that gives potential winter holiday travellers, skiers and snowboarders the best possible way to travel to the South Island while also providing them with the best deals. Online, potential travellers will find quality information and value offers with a customer focused call to action of Fly Christchurch.

At the same time the company is working in partnership with Zuji, the largest internet travel agency in Asia Pacific, to provide a simple booking option for customers. It means customers can find information, view the conditions, look at the deals, book and travel — a one-stop shop with all the travel tools the customer needs.

In conjunction with this partnership, the company is actively involved in the Ski Tourism Marketing Network (Ski TMN) — a collaboration of regional tourism operators, travel wholesalers and associate parties who are focused on promoting the New Zealand ski experience.

We work closely with CIAL on the Ski TMN. The network provides good exposure in Australia. It operates well and is results driven, said Mark Frood, General Manager — Marketing, Destination Queenstown.

Our relationship with CIAL is strategically very important to us, added Frood. The South Island as a destination is incredibly important to us. Despite direct flights into Queenstown, the majority of our volume comes through Christchurch and the fly/drive market is huge. We are lucky to have a good working relationship and we are committed to developing more partnership initiatives in the future.

CIAL also plays an active role in South Island winter marketing groups including Mt Hutt Marketing Group, McKenzie Winter Marketing Group and the Wanaka Winter Marketing Group.
gateway for innovation
Utilise land resources for development opportunities

**Strategy**

Grow and diversify revenue streams from property development
Effectively and efficiently develop and use our land resources

**Achievements**

- 11.5% growth in retail revenue
- 10% growth in property revenue
- 100% leased occupancy
- Completion of market research on airport campus market
- Progress towards alignment of city plan with airport property investment opportunities
- Completion of updated airport land-use master plan

- Major Property Development projects completed
  - Aviation House Stage 2 — completed 30 June 2005
  - Customs Examination Base — completed 14 December 2004
  - SB International Extensions — completed 30 June 2005
  - Avis/Budget Yard Extension — completed 25 April 2005

- Commencement of 2 projects due for completion in 2005/2006
  - Fliway International Ltd — due for completion December 2005
  - Aviation Security Extension — due for completion March 2006
Case study

Clearly New Zealand as a whole is an attractive destination. Looking ahead we anticipate continued strong growth and hope to take advantage of the additional capacity coming into Christchurch, particularly ex Australia, to further develop our market share.  

Steve Matheson, General Manager Thrifty Car Rental New Zealand

Growth for rental car operators

With the popularity of the fly-drive holiday option, growing passenger numbers have had a significant impact on rental car operators at the airport, not to mention an impact on the development of airport land. This is but one example of the many property developments pursued this year.

Operations at Avis and Budget have grown substantially and as a consequence created the need to extend rental car yard capacity. The total size of the Avis yard increased by 42% while the size of the Budget yard increased by 37% — with the project being completed within a tight timeframe, just three months from signing the agreement to completion.

We increased the size of our fleet and then needed to extend our yard capacity said Carole Pepperell, South Island Manager of Avis and Budget. Our business continues to grow and we are looking forward to another busy summer .

Another organisation experiencing benefit from passenger growth is Thrifty Car Rental. In December Thrifty moved their service centre from Wairakei Road on to airport land. We had outgrown our previous site and needed to find a solution that satisfied our growing customer demand. Not only was the airport company open to our suggestions, they understood our needs and sought an overall solution acceptable to everyone. Best of all, the move was completed in a timely manner said Steve Matheson, General Manager Thrifty Car Rental New Zealand.

Clearly New Zealand as a whole is an attractive destination. Looking ahead we anticipate continued strong growth and hope to take advantage of the additional capacity coming into Christchurch, particularly ex Australia, to further develop our market share.
Maintain a safe and secure operating environment

Strategy

Manage business risk
Be a good corporate citizen

Achievements

> Undertaken a $3.75 million investment in Hold Baggage Screening — meeting ICAO requirements that all international departing luggage be screened by 2006

> Worked in partnership with ACC to promote the Prevention of Injuries within the airport community

> Maintained ACC Tertiary Status

> Completed grass management study

> Continue to use artesian water

> Converted Diesel to LPG

> Maintaining ongoing compliance with the Building Act and Civil Aviation Authority Act

> Completed a review of infrastructure capacity, including identifying power, water and sewerage needs

> Civil Aviation Authority completed a full audit (five yearly) of the company facilities and processes and reissued the airports operating certificate under Part 139

> Invested $1.2 million in a new Fire Service Appliance and undertaken training to provide emergency capability up to ICAO Category 9, in line with recommendations of ICAO Annex 14

> Completed a Company Risk profile and started planning for the implementation of a full company-wide risk management framework

> Performed 32 Environmental Audits during the financial year
Significant Environmental Impacts

Noise Emissions
CIAL finalised noise protection contours in Christchurch City District Plan and Waimakariri District Plan — protecting our long-term 24 hour operation. This is part of our ongoing commitment to ensure that areas impacted by the effects of aircraft operations are identified on planning maps — minimising any growth in population in areas exposed to noise from aircraft operations.

In addition we have an operators agreement with Air New Zealand that prohibits the testing of any aircraft engines between 2300 hours and 0600 hours unless testing is necessary to provide an urgent scheduled flight and the person responsible for testing delivers a report to airport management within 24 hours after testing.

Air Emissions
There are a small number of activities at the airport that require air emission consents. We have a programme in place to ensure they comply with conditions of the consent.

Ground Water Discharge
CIAL commenced a joint study with ECan and the Christchurch City Council to examine and evaluate opinions for stormwater disposal for the airport and adjacent industrial areas.

Annual Withdrawal of Ground Water
Potable water 904,377m³

Use of water for terminal cooling system
Artesian water 1,581,814m³ abstraction and recharge

MATERIALS RECYCLED YEAR ENDED JUNE 2005

<table>
<thead>
<tr>
<th>Material</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrapmetal</td>
<td>10 tonnes</td>
</tr>
<tr>
<td>Waste oil</td>
<td>1950 litres 1.64 tonnes</td>
</tr>
<tr>
<td>Glass bottles, plastic bottles, and cans</td>
<td>214 m³</td>
</tr>
<tr>
<td>Cardboard</td>
<td>415 cu.m³</td>
</tr>
<tr>
<td>Paper</td>
<td>90 cu.m³</td>
</tr>
<tr>
<td>Polystyrene</td>
<td>24 cu.m³</td>
</tr>
<tr>
<td>Vegetation</td>
<td>All grass clippings and other vegetation is recycled</td>
</tr>
</tbody>
</table>

ENERGY BY CONSUMPTION BY CIAL OPERATIONS

<table>
<thead>
<tr>
<th>Source</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel</td>
<td>5711.765GJ</td>
</tr>
<tr>
<td>LPG</td>
<td>19282.98GJ</td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
</tr>
<tr>
<td>Terminal</td>
<td>17GW hs</td>
</tr>
<tr>
<td>Other Electricity</td>
<td>0.7GWhs</td>
</tr>
<tr>
<td>(PCS, Maintenance yard, pumps etc)</td>
<td></td>
</tr>
</tbody>
</table>
From a regional development perspective Christchurch cannot afford to ignore this issue. To create unnecessary risk for the travelling public could severely tarnish our reputation as a safe destination and the impact on inbound tourism and our regional economy could be significant.

Proactive Bird Management

Safety is paramount to airlines and airports worldwide, and the need to ensure a safe operating environment for the travelling public is a responsibility we take seriously. Our bird management policy is but one example. Overall, Civil Aviation in NZ has an excellent safety record. That said, the global airline industry estimates at least 350 people have been killed in bird-plane collisions since the dawn of aviation, including over 100 since 1995. It is not an issue to be treated lightly. We seek to adopt global best practice in the management of birds and bird habitat both on and off the airport.

For many years CIAL has taken a proactive role to reduce the level of bird-strike risk in Christchurch and as a consequence has implemented a management strategy to minimise this risk. Initiatives include working with other agencies to manage bird populations in the surrounding areas as well as regularly disturbing and harassing birds on the airport. The company is participating in a leading edge scientific grass trial to reduce the number of birds on the airport — a world first that is showing promising results. We are also looking at introducing the use of quad bikes to scare the birds, an initiative that has seen success at other airports.

To be successful in this initiative community involvement is essential. A working party has been formed with Fish & Game, local government agencies, scientists and other parties to manage the Canada Geese population in the greater Christchurch urban area and build community awareness on the issue. At the same time we work closely with the Board of Airlines Representatives (BARNZ), take an active role on the NZ Flight Safety Council and participate in global forums to achieve leadership in this field.

From a regional development perspective Christchurch cannot afford to ignore this issue. To create unnecessary risk for the travelling public could severely tarnish our reputation as a safe destination and the impact on inbound tourism and our regional economy could be significant. We need to protect our airport and the surrounding area against inappropriate land use and this is the reason for our opposition to the development of a proposed water sports facility and any other water bodies near the airport.

In order to ensure our policy and practices remain in line with global best practice an independent peer review has been commissioned to review the company’s bird management process and procedures both on and off Christchurch International Airport. This review will be completed by the end of 2005.
Provide superior value to our customers and the community

Strategy

Provide for the air transport needs of our regional community
Take a partnership approach with customers
Provide excellent relationship management and service delivery

Achievements

> Active involvement in operational forums
  - Facilitation Committee (regional and national levels)
  - Airside Safety
  - Bird Strike Committee
  - National Flight Safety Council
  - Various CAA forums

> Involvement with Export NZ and NZTIA

> Facilitation of the development of an Airport-wide security induction programme

> Held a Christmas Family Entertainment programme for the community

> Airport Fire Service and Customer Services continued to participate in school curriculum activities

> Invested approximately $50,000 in community sponsorship including Christchurch International Jazz Festival, Wanaka Festival of Colour, Export NZ, Christchurch Arts Festival, Christchurch Festival of Japan

> Completed an investment proposal for the redevelopment of the Passenger Terminal to meet the continuing growth in passenger and aircraft movements and ensure achievement of service delivery standards are in line with international best practice.
Consultation
Maintaining a strong open relationship with our partners and the community relies on honest consultation. We’re committed to engaging in dialogue and involving stakeholders in any major decision-making. On a day-to-day basis we work closely with border agencies and airline partners on operational matters and when it comes to significant projects like the Hold Baggage Screening, we make sure they have input throughout the process. In addition we’ve undertaken significant consultation with our airline partners to maintain price stability. We regularly participate in community consultation, particularly with regard to planning issues. It’s important that our neighbours feel informed on what the airport is doing and have the opportunity to voice an opinion.

Customer health and safety
CIAL is committed to continuous improvement in health and safety and the provision of a healthy and safe environment for employees, airport staff, visitors and contractors at all workplaces it manages. We comply with legislative requirements and strive, at best to eliminate, at least to minimise, any identified hazards. We monitor every incident and all staff are encouraged to fill out an incident report regardless of the type or seriousness of the injury. We also report every health and safety incident that is treated at the airport.

— Health and Safety Incident Reports for people working at the airport (including contractors and airport tenants etc) (See Fig 1)

— Health and Safety Incident Reports for members of the public (See Fig 2)

Note: The majority of the unwell incidents are public who are travelling and have arrived feeling airsick. The Airport Fire Service responds to all the medical emergencies thus the accident report statistics are high. One elderly passenger collapsed at the domestic check-in with a fatal heart attack. The falls range from children in the playground, general slips and trips with just over half on the escalators. We have also treated a few returning from skiing where they sustained an injury that may have been a broken bone. No incidents of non-compliance with regulations concerning customer health and safety.

Wireless Technology
Stage One of airport wireless is complete and operational, supporting the BARNZ AAA Baggage Reconciliation initiative. This initiative covers seven international airports in NZ and CIAL were the first to be completed and certified by BARNZ. Stage Two will involve looking at providing public access wireless in the terminal. This is likely to be operating in 2005/2006.

Development of an airport campus network is progressing with both wired and wireless initiatives underway. This will pave the way for a more cost effective delivery and utilisation of telecommunications assets and investments and provide the opportunity for more collaborative information sharing across the airport community.
A very pleasurable airport to come to. Direction signs were excellent, car rental parking straightforward and easy. The whole airport is very clean, spacious and quiet (we are used to London Heathrow and Gatwick — both very busy and noisy)

Customer Satisfaction
Since 1999 the company has been using a Quality Service Monitor (QSM) customer satisfaction survey to measure and monitor performance and service delivery. Conducted in February and July of each year, this quantitative survey comprises a total of 1600 interviews a year, involving both passengers and welcomers/farewells throughout the terminal — to give a comprehensive picture of our service.

In early 2005 we joined AETRA, a joint venture between Airports Council International (ACI) and International Air Transport Association (IATA) that provides a global benchmark for airports worldwide. Domestic and international airports of all sizes are involved in the survey including Melbourne, Singapore, London, Dubai, Sydney and Kuala Lumpur. These global benchmarking results will be instrumental in ensuring the company continues to provide superior service and value to our travellers.

At the same time this survey clearly illustrates areas of concern - areas that we need to improve on. The queues are too much. We came from Singapore and before that from the UK and we are just very jet-lagged

International arriving passenger, UK Resident, 55-64, male.

Congestion getting to departures and arrivals. No food court. Cleanliness is outstanding.
Domestic departing passenger, Qantas domestic, North American resident, 35-44, male.

These issues are but some of the many factors that have contributed to the development of a feasibility study to consider the replacement of the domestic terminal.
gateway for experience
“Be a great place to work

Strategy

Develop a climate for action
Build critical skills and enabling resources

Achievements

> Progressing on wellness programme with health insurance, life insurance, income protection and retirement planning programmes. Supported by annual sight and hearing screenings, flu shots and EAP support

> Draft Aging Workforce Strategy completed

> Core conditions of employment in place and regularly reviewed to ensure compliance with relevant legislation.

> Continued annual staff climate survey

Training and Development

> Continue to invest in training and development

> Fire service undertook major training review

> All senior operational staff have completed NZQA National Certificate in Airport Operations and 80% of existing staff have either enrolled or indicated they wish to enrol in the programme

> Performance Coaching training developed

Our people

> 159 full time equivalent staff — 64% Male, 36% Female

> Employed 29 new full time equivalent staff in 2004/2005

> 50% of all staff are in collective agreements. CIAL continued to work closely with the combined unions and meet quarterly to provide company/industry updates and to work proactively on issues of concern.

> 14% staff turnover in 2004/2005

> 2% Lost time injury rate/absenteeism rate
Building Critical Skills
Within the building industry it is no secret that there is an acute shortage of skilled qualified tradesmen. In order to address the problem, apprenticeship schemes are essential. That is why we employed Chris Murray as an apprentice electrician. It is the first time in many years that the company has initiated an apprentice training scheme and the rewards are immense. Not only are we building critical skills but we are taking responsibility for the future.

When Chris joined the airport company in May 2004 he had completed a full year pre-trade course. Now part way through his three year contract (6,000 hours), Chris has completed his Level 3 National Certificate (equivalent to Trade Certificate). A valued member of the maintenance team, Chris’s contribution increases as his training and skill levels develop.

As an organisation, we can guarantee a good grounding in the electrical trade through a wide scope and variety of work. His apprenticeship here will cover everything from lighting and conveyor systems to electrical wiring and apron flood lighting, and as an apprentice Chris is exposed to the best of several tradesmen. It is a great way for Chris to learn his trade — while making sure the capability of our team continues.

For the company it is about identifying future needs and making sure the company and the wider industry have the resources to take us into the future. This is the first step in a long process and we plan to continue developing critical skills.