

# Airways New Zealand

Key Player in New Zealand's Aviation Industry

Public Meeting  
24 November 2011



# Airways Inaugural Public Meeting

- Welcome
- Board and New CEO Introduction
- Today's Presentation
  - Briefly touch on last year
  - Main focus is Industry trends
  - Implications for Airways
  - How Airways is Responding
- Question time at end of presentation

# Who's Who in Aviation



- Ministry of Transport
- Govt Dept
- Govt's principal transport adviser, provides policy advice and support to Ministers



- CAA
- Crown Entity
- Regulator
- Rules Maker
- Monitors Safety and Security Performance



- TAIC
- Crown Entity
- Investigates significant accidents and incidents
- Seeks to influence Safety improvements



- Airways
- SOE
- A limited liability Company
- Service provider
- Charges for its services
- Required to be profitable

MOT enters into Performance Agreements with CAA and TAIC, monitors performance and recommends appointments to their Governing bodies.

# Airways Key Facts

Airways has a global reputation as (1) the innovative operator of New Zealand's airways and navigation services; and (2) a successful exporter of services to the international aviation market.

## Balance Sheet

- High Quality Balance Sheet (42% gearing)

## NZ Services

- Air Traffic Control
- Air Traffic Navigation

## Scale

- 30m km<sup>2</sup> Airspace (7% world total)
- 1.2m movements pa
- Services at 19 Airports

## Revenue Split

- \$134m NZ Services
- \$19m International Services

## Operational Performance

- Excellent Safety Record

## International Services

- Training
- Software
- Consulting
- Airspace Management

## Growth

- Entering major industry change with shift to GPS
- Further opportunities to commercialise deep IP

# Highlights 2010/11

## Financials

- NOPAT \$4.8m
- Revenue \$152.6m
- Dividend \$6m

## Achievements

- Critical Systems Availability 99.996%
- CAM \$41.4m fuel savings
- CAM CO<sub>2</sub> emissions by 86.5m kgs
- Improved NZ's sustainable profile through PBN & RNP
- Controlled >1m aircraft movements safely
- Queenstown lights installation

## Achievements

- Continuity of services through EQ's & Volcanic Ash
- Prepared for FIS launch at Kapiti Airport
- First sale of Tower Simulator Total Control
- Aviation Asia Award for CAM
- World Class Safety Performance

## Lowlights

- Auckland Runway Lighting Outages
- Financial Performance

# Q1 Highlights 2011/12

## Financial

- Forecast NOPAT looks achievable as does ANS Core Revenue
- Strong sales pipeline for Training – \$6m already booked

## Operational

- New Commercial Framework under development
- Restructured Training , FY & Consulting & cut non performing projects
- 98.6% critical maintenance achieved & 99.875% critical services availability

## Leadership

- Business Transformation Project
- Performance Framework and reporting
- Collaboration Project with Airservices (BANJO)
- Successful RWC

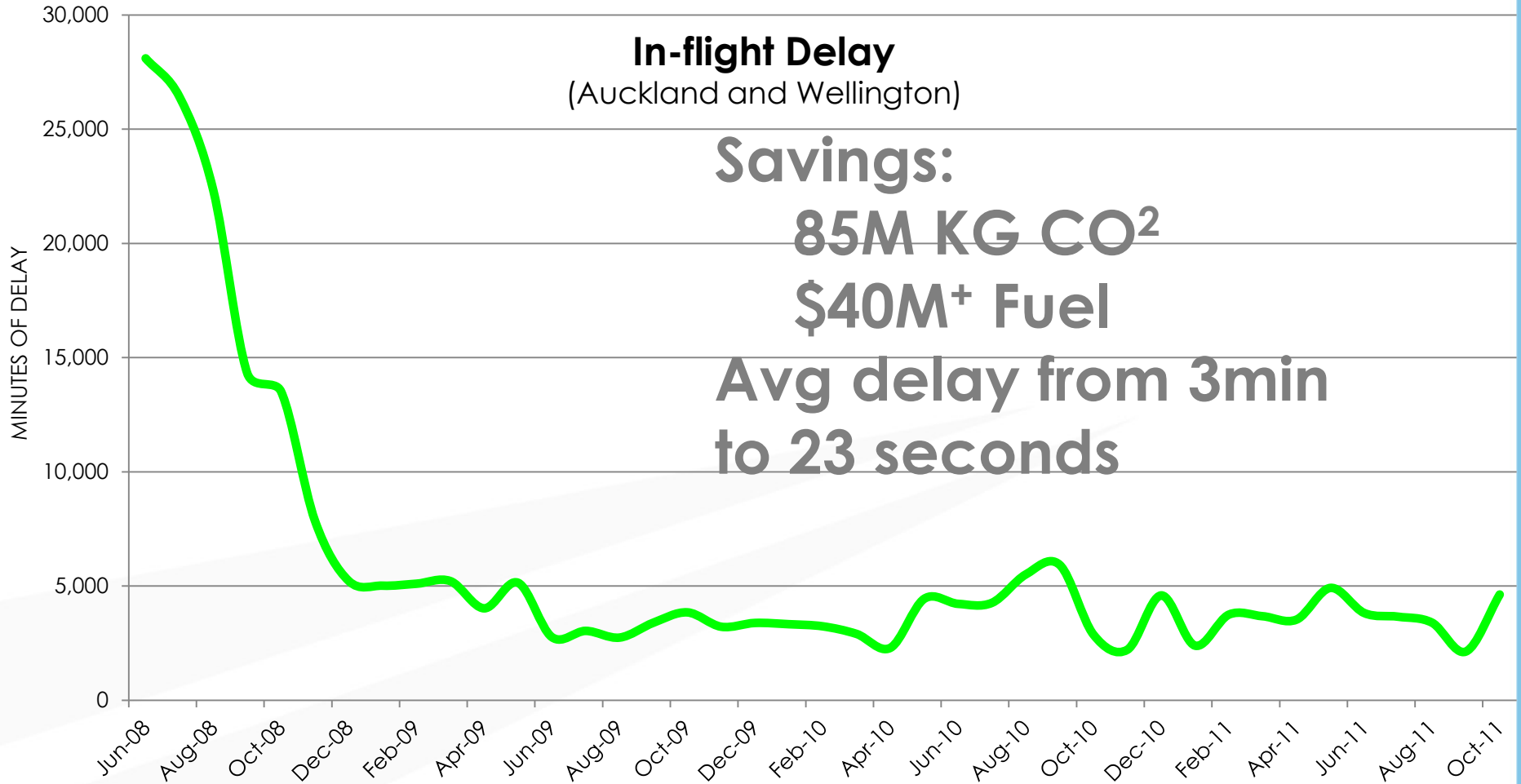
# The Industry – Today

- Demand and Capacity Management
- Rising Fuel costs
- Increased complexity
- Environmental pressures / carbon anxiety
- Airport Congestion
- Technologically Advanced but still Highly Regulated
- Airlines Operate Internationally / ANSPs Nationally

*“ATM enhancements could improve fuel efficiency and CO<sub>2</sub> emissions by up to 12%”*  
- IPCC

*“Cutting flight times by a minute per flight on a global basis would save 4.8 million tons of CO<sub>2</sub> every year.”*  
- IATA

# What have we achieved to date...



# The Industry Tomorrow

- Collaborative Approach –Airlines, Airports & ANSPs
- Regional ANSP Partnerships
- Gate to Gate Solutions
- “Perfect Flights”
- Seamless Airspace
- Utilise Satellite and Aircraft Technology
- Flow Management

*“An integrated, harmonized  
and globally interoperable  
CNS / ATM System”  
- ICAO and IATA*

# How Industry Trends Will Affect Us

## Global Industry Trends

Strong Industry Growth

Technology Changes

Market Liberalisation

Business Model Changes

Increased Cooperation

“Green” Pressures

## Implications for Airways

**Cross-border Contestability**

**New Business Models**

**Opportunities for Innovators /  
Change Agents**

**Growth Markets Close to Home**

**New Partnerships**

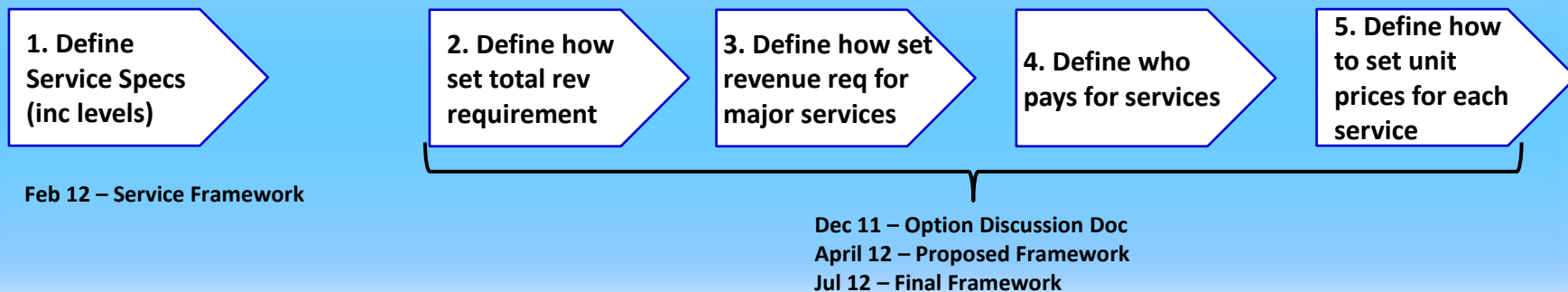
**Business Diversification  
Opportunities**

# Refreshed, Transparent Service & Pricing Frameworks

**Objective:** Provide airport, airline and GA customers with clear suite of services, committed service levels and simpler, transparent prices

## Service Framework

## Pricing Framework



\* Finalised dates

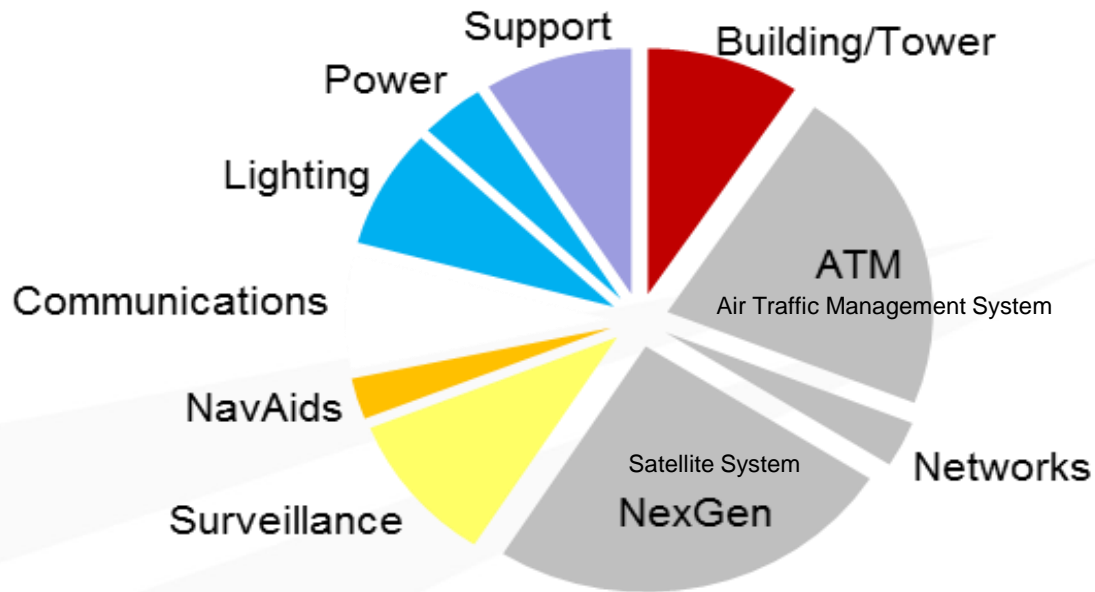
- Services:
- Aerodrome – Air Traffic Management Service
- Aerodrome – Visual Nav Aid Service
- Approach Service
- Domestic Enroute Service
- Oceanic Service
- Area Flight Information Service
- Alerting Service

## Customer Benefits

- Service focus
- Accountability
- Clarity of roles
- Simpler pricing
- Transparent pricing

# Capital Investment Program

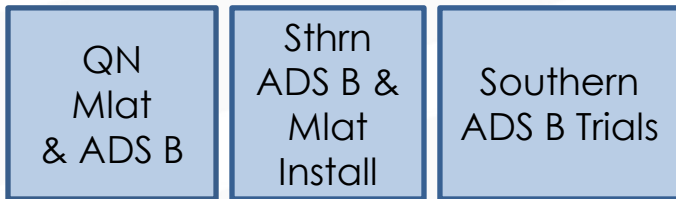
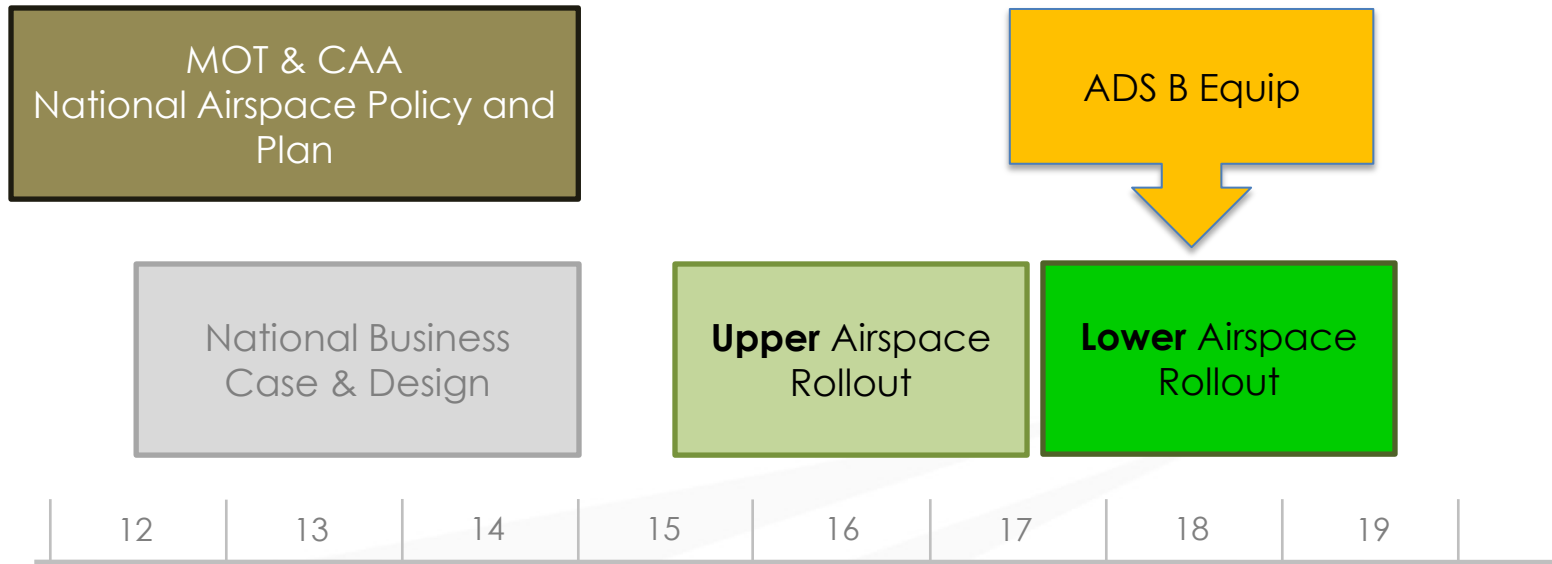
**\$350m (10 year – avg \$35m p.a.)**



# Tomorrow's Key Projects 2011/13

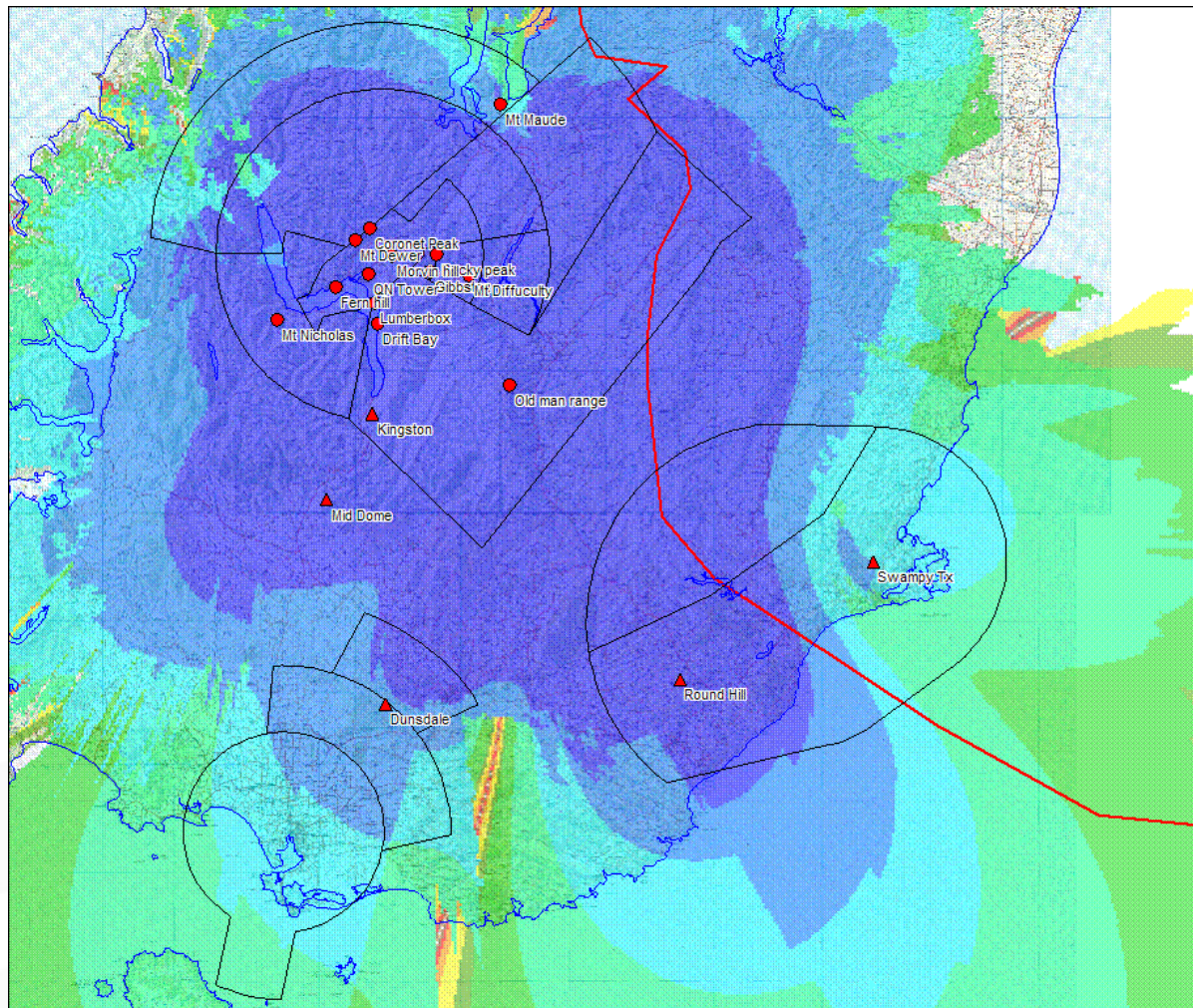
- Wellington Tower
- Auckland Northern Runway
- New & Upgrade/Refresh Projects, examples include
  - Southern ADSB & Multilateration
  - Collaborative Flow Management
  - Performance Based Navigation
  - ASPIRE (Asia Pacific Initiative to Reduce Emission)

# Proposed NZ ADS B Project Plan



# Southern ADSB Coverage

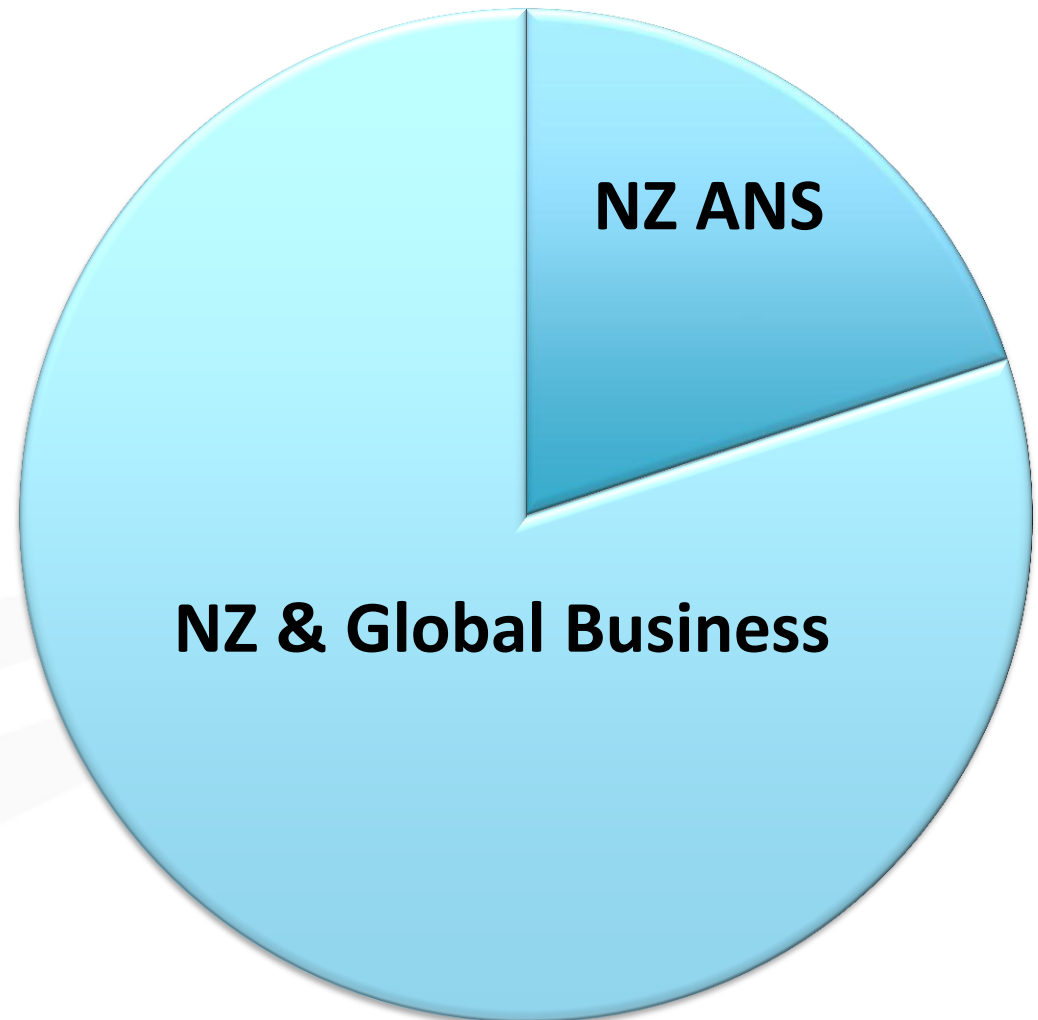
Above 9000 Feet



# Air Traffic Management in 2020

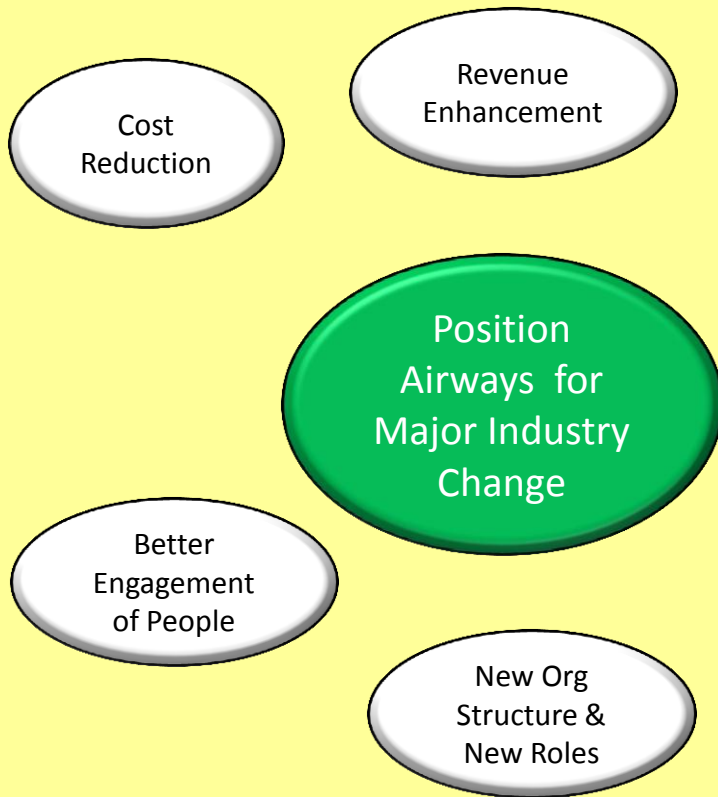
## Key Characteristics

- Innovative Technology for Competitive Advantage
- Profit Streams – Not Revenue Streams
- Driver for Asia-Pacific & Middle East Regions
- Evaluate opportunities in de-regulated environments
- Innovative Business Models to Drive the Change



# The Future – Business Transformation

## Motivations for Transformation



## For Airways Transformation...

IS	IS NOT
<b>Strategic</b> --A radical rethink to position Airways to thrive as the industry changes	<b>Tactical</b> - A tactical cost cutting exercise
<b>Outcome Focused</b> --Produces transparent tangible, executable outcomes & deliverables	<b>Theoretical</b> -- Produces secret suite of nice sounding documents that lack substance
<b>Specific</b> -- Leverages Airways expertise (with judicious external challenge)	<b>Generic</b> -- Run by external consultants ("solution looking for a problem")
<b>Short, Sharp "90 day" Project</b> to define & initiate an executable transformation plan which becomes focus of main business	<b>12 Month Project</b> which designs and executes a transformation programme in parallel to the main business

Research Market,  
Industry & Best  
Practice Operating  
Models

Define 2020  
Vision

Design  
Transformation  
Roadmap

Produce  
Business Case

# Today's Key Issues

- Commercial Framework
- ATC Collective Negotiations
- Outcomes of Business Transformation
- Maintain Positive Momentum from Q1
- Continue Positive Export Drive – Training
- Continue with significant capex projects
- Maintain Critical Maintenance and Systems Availability
- Maintain world class safety performance

# Questions

