Question and Answer

Operator

[Operator Instructions] We will now go to our first question in queue, from the line of Jason Familton from First NZ Capital.

Jason Familton
Crédit Suisse AG, Research Division

Two or 3 questions if I may. The first one, just on car parking, obviously a good performance in the half. I'm just wondering about the potential for further increases in yield or available spaces just into the second half and I guess into 2014?

Adrian Littlewood
Chief Executive Officer

Jason, Adrian here. Look, we have a bunch of activities underway right now to increase the effect of public capacity. We are relocating, a small example, staff car parking to our Park & Ride facility, which will open up spaces adjacent to the domestic terminal. It will also leverage off the existing infrastructure and facilities we have at Park & Ride. We are constantly looking at ways to improve the yield and return from the assets we've got and we have other opportunities like that over the coming period.

Jason Familton
Crédit Suisse AG, Research Division

Okay. The second one, just on that CapEx, just wondering if you could give a bit more of a breakdown of that spend in the second half, sort of between $54 million and $64 million?

Simon D. Robertson
Former Chief Financial Officer

Hey Jason, Simon here. So, CapEx was a little bit lower than we thought in the first half, primarily to do with timing. We thought we'd be a little bit more underway at the domestic terminal refurbishment. It took us a little bit longer to get everything -- all our ducks aligned with other stakeholders at the domestic terminal, but now that we are, we’re still progressing down that path, but it will just move some of that into FY'14 that we thought would originally be in FY'13. And also Taxiway Lima is another part that will have a more substantial investment. That's the taxiway that leads from the current runway up to pier B to free up capacity there by creating one-way abilities rather than, one-way in and one-way out.

Jason Familton
Crédit Suisse AG, Research Division

Okay and then can you just give us an update on how negotiations are going with the airlines on the new domestic terminal?

Adrian Littlewood
Chief Executive Officer

Hey Jason, Adrian here, look we have deep and ongoing discussions with all our airline partners on this. Obviously the 2 big guys we're spending a lot of time with, it’s an ongoing process, because we are master planning, so we’ve captured a lot of the inputs from the airlines. We're now working out how that lays out into a plan. We continue to maintain that discussion, but I think it’s a very close engagement, is what I can say.

Jason Familton
Crédit Suisse AG, Research Division

Okay. And then just a final one, just around the Emperor Lounge I'm just wondering what we should be thinking about for perhaps revenues and costs in the half and going forward?

Adrian Littlewood
Chief Executive Officer

Look, hard to say, it depends on demand, we as much as possible we match costs to demand obviously and that’s partly about being able to predict what’s coming down the line and partnerships with airlines. So we keep close tabs on that but it’s hard to predict the demands that will flow through.

Operator

Your next question comes from the line of Grant Swanepoel from Deutsche Bank.

Grant Swanepoel
Deutsche Bank AG, Research Division

Just a couple of questions. The Vector once off payment that's in your cost lines, can you give an idea of what that was? Also with the World Cup only having produced $2 million of positive EBITDA can you give some sort of idea, excluding all once offs, what your normalized costs would have done if you didn't have all these extra ones, would the costs have gone down this half and then finally, on the 1.7% international growth that you've got for the start of this year, are there any initiatives in place that you think can get that run rate back up to the type of 3% to 4% long run rates that you've been experiencing in the last four or five years? Thank you.

Simon D. Robertson
Former Chief Financial Officer

Yes, costs generally, without going into specifics on an individual supplier, they're broadly I think different categories. So some of it is about investing for growth. So some of them come with revenue lines. So, for instance, the Emperor Lounge, for instance the costs associated with the hotel in terms of the ibis budget. They come in the cost line, but they equally come in with revenue. Some of them are of a one-off nature, I think the merits appeal is the most significant one in there which was in this particular half with other one-off natured items as well. More I go is always as I see if I would be to try and make sure that we keep a very strong handle on our operating expenses and we’ll continue to do that in the second half.

Grant Swanepoel
Deutsche Bank AG, Research Division

So Simon, on the costs, does that mean costs were flat or slightly up if you exclude those once off and the capital growth items and then also can you give some color on the Vector costs that came through as a once off as well?

Simon D. Robertson
Former Chief Financial Officer

Yes. I just don’t want to be specific on a settlement on an agreement with one particular supplier, Grant.

Which is why I didn't make specific mention to that. The issues that I think we have in there are those ones are about growth or I think what you're after is what is one-off and what might not be in your model for the next period.

I think there’s a fair bit of that as well, it might total in the end about $2 million representing simply $1 million of the merits appeal review which is the largest component of that.

Operator

Your next question comes from the line of Andy Bowley from Forsyth Barr.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

Adrian, Simon, I've got a couple of questions here. Firstly on the guidance, it's pleasing to see that we've increased the guidance to $145 million to $153 million, but why have we expanded the range, widened the range, when I would have thought at this time of the year we'd be narrowing -- are there things in the second half that you're still concerned about in terms of the big swing factors here?

Simon D. Robertson
Former Chief Financial Officer

Andy, Simon here. At the end of the day we're talking about a range I will think of what $8 million on a -- between $145 million and $153 million, that's plus or minus 2% I think it's pretty narrow range in any case, so I think we have been recently specific obviously our business is going to driven by passenger demand are predominately, we are seeing a little bit more update about the opportunity within the domestic passenger volumes there. We remain cautiously optimistic really around the opportunities in international and it is pleasing to see a little bit of that growth momentum come back, but we are lapping now the period of the Qantas withdrawal on LA and Aerolineas withdrawal.

So it's not going to be superbly strong or meeting our long-term passenger growth ambitions in the next half, but we'd like to see just improvements to the improvement from where we have been in the first half.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

What's actually driven the upgrade in guidance? Is it just passenger numbers through the back end of the second half?

Simon D. Robertson
Former Chief Financial Officer

Yes, from our perspective what has surprised us positively? Really has been the domestic passenger growth, so that's reflecting in there from our perspective.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

So my next question is just around North Queensland Airports, and I think in your disclosures you showed the higher NPAT profits clearly coming through to associate income, the rise in EBITDA is less significant. Can you just talk about the dynamics of their P&L and how that or how we should think about that going forward from an associate income perspective?

Simon D. Robertson
Former Chief Financial Officer

Yes. In terms of North Queensland Airports I suppose that is sometimes the power of operating leverage are coming through in a relatively large CapEx environment with no significant growth in depreciation. Some modest increases in interest and some savings in the tax are the sort of impacts there, that's driving stronger growth from EBITDA down to profits.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

But we should be thinking about I think the profit after tax of AUD 9.4 million is kind of a base rather than including some one-offs that won't recur next year?

Simon D. Robertson
Former Chief Financial Officer

Yes, our view would be that if we can continue to grow passenger volume and returns from that business then, because it's relatively CapEx light presently that a lot of that will flow through to net profit.

Operator

Your next question comes from the line of Marcus Curley from Goldman Sachs.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

Just a few questions. Simon, you've probably already alluded to it but can you -- are you willing to give any more specific guidance around what international passenger growth you've based into the second half for your forecast?

Simon D. Robertson
Former Chief Financial Officer

No.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

Within the car parking outcome is there genuine price increases?

Simon D. Robertson
Former Chief Financial Officer

Yes, Marcus it's a combination and price runs across a whole bunch of products. We run multiple products all the time and sometimes there are price increases and sometimes there are price decreases. What we’re focusing on is overall yield growth which, as you would be aware the combination of volume and price.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

Can you give some color in terms of what was driving the increase in the marketing costs during the period?

Simon D. Robertson
Former Chief Financial Officer

Look, there's a couple of things there. I think as I alluded to, sometimes you’ve got to take those one-off opportunities when they come up, I think, and you've got to invest slightly ahead of when the volume turns up. So, the China Southern mega-famil was a big event, 300 plus people, an A380 full of, the full party down here. We hosted that, sponsored them around the country and we know that will pay dividends longer-term and you can see that coming through in Chinese growth right now and will come in the future.

Again Hawaiian we're supporting them in their sell in before they actually commence services which start on March. So there’s -- sometimes there is a bit of a disconnect in a short period between investment and growth, but we are confident that growth will continue.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

It sounds like it would be for the full year a number slightly less than double that first half result?

Simon D. Robertson
Former Chief Financial Officer

Yes, roughly.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

Can you provide any viewpoints on the most likely outcomes from the ComCom results with Wellington Airport with their review?

Simon D. Robertson
Former Chief Financial Officer

I think that would be very hard to predict. We are deep in the process of working through with it. We can't predict what the outcome of the review will be?

Adrian Littlewood
Chief Executive Officer

But I guess we are confident and I think, if I just touch on that, I think we are confident of our position given the approach we've taken to this over the longer-term. We've been very clear on investing appropriately, driving innovation and taking a fair approach to pricing and I think that has been recognized in a slightly roundabout way by Barnes and others. So, we cautiously optimistic but we need to see how that plays out.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

Can you give us any color in terms of when we should see the outcomes from the merit review?

Adrian Littlewood
Chief Executive Officer

Again, we don't set those timetables so we don't know. It may be the middle of the year that's really a question for the ComCom.

Marcus Curley
Goldman Sachs JBWere Pty Ltd, Research Division

And then, finally, you mentioned tobacco, can you give us any color on what you think the full year impact of tobacco is going to be?

Adrian Littlewood
Chief Executive Officer

Again look, it's really hard to tell. I mean, we gave you a bit of a sense of the profile there but I think it's interesting to note the profile has, it changes over the period. I think, you can see the changes came in, in Australia around July and you can see the delta there between prior year, did change at the end of the year, but as I said in my commentary, that's partly about the retail is adjusting to the new environment and testing new ways of working and I know they continually adjust and they have adjusted again in January and February to work, how do they make the new model work? And that will continue to go on.

Operator

Your next question comes from the line of Carolyn Holmes from J.P. Morgan.

Carolyn J. Holmes
JP Morgan Chase & Co, Research Division

My questions have already been answered.

Operator

[Operator Instructions] And you've a follow-up question from the line of Nachi Moghe from Morningstar.

Nachiket Moghe
Morningstar Inc., Research Division

Just a couple of questions. One of the -- on the NQA I see that the EBITDA growth was less than the revenue growth. So could you provide some color on that as to what sort of impact and margin is in that business?

Adrian Littlewood
Chief Executive Officer

Sorry, I didn't hear the first part Nachi?

Nachiket Moghe
Morningstar Inc., Research Division

Sorry. The NQA, the EBITDA growth in that business fell short on revenue growth. I'm just in fact wondering whether there has been a one-off cost there which impacted margins in that business.

Adrian Littlewood
Chief Executive Officer

Not significantly, Nachi. There was some benefits that we obtained last year which we banked, but there's been no real significant change in terms of their margins. Quite slightly, lower than revenue but it's not significantly.

Nachiket Moghe
Morningstar Inc., Research Division

Right. And the other thing was on capital expenditure I think the, if I'm not mistaken when you had the presentation on pricing. The expenditure on aeronautical I think was between $60 million and $65 million for FY'13. So you're saying that $90 million to $100 million for the full year. So in fact most of the remainder differences -- is the difference basically does that reflect property CapEx?

Adrian Littlewood
Chief Executive Officer

Some property CapEx in the period as we certainly complete some of the developments and in particular the developments and in particular the development of creating service land and the landing, an extra nine hectares in there as we increase our inventory levels. Which we think about every season about what's the best timing to make sure we've got the right amount of our product available for new developments and we've decided to take advantage of this season to create more service land options for the market as we have starting to run out of inventory. So that's simply been part of the story within property in the next 6 month period.

Operator

We now have a follow-up question from the line of Jason Familton from First NZ Capital.

Jason Familton
Crédit Suisse AG, Research Division

Just picking up on this comment on that regulatory update slide around that you consider regulatory risk because you can contemplate, obviously, the new domestic terminal. I guess, am I right in interpreting that when you look at the charges and obviously the agreement with the airlines that you've had to be pretty conscious of what the input methodology and workers function of the Commerce Commission are making?

Adrian Littlewood
Chief Executive Officer

Look, that's right. I guess, as you know, the discussions are technical and detailed in the review and I guess what we the highest level of focusing on is, what is a fair rate of return investing in the kind of assets that we must invest in to keep creating the capacity. So I think you can take a very detailed technical view on it. But also stand back and just sort of say, what is appropriate for this kind of investment that we need to make out of the coming years and what is right for airports overall.

Simon D. Robertson
Former Chief Financial Officer

The thing I'd add there Jason and correct me if I'm wrong, but in your particular instance you probably got an after tax whack on us of around 9% from what I can tell, and you have got us on a sort of fairly valued. So if you've got a ComCom talking about 6.5% I think there is a disconnect there between investors' expectations on a fair return and the Commerce Commission I also reflect, I guess, on the future fund offer for the AIX stakes which again used a whack and the DCF to determine that the offer was fair which would have indicated a whack about nine. So, I think there is this disconnect which is part of the challenge of, what's a fair return for the investment and the risk that's been contemplated.

Operator

There are no further questions at this time, please continue.

Adrian Littlewood
Chief Executive Officer

All right, so thank you for joining us today and we look forward to seeing you soon. Thank you.

Operator
And this does conclude our conference for today. Thank you for your participating, you may all disconnect.