Question and Answer

Unknown Analyst

You talk about the European airports being a difficult situation for everyone involved. But if you believe the reports coming out of Europe, you're now looking at another major acquisition of a European airport. Can you tell us whether those reports are completely wide of the mark and what exactly you're looking at?

Marko Bogoievski
CEO & Director

Just a backdrop. I mean, Infratil's got quite a long heritage in the airports as a sector, and we do back ourselves in the space. If you remember, not just Wellington Airport, but obviously had a position in Auckland Airport in the past, and when Infratil Australia was around had position in Perth and Northern Territory's Airports. I mean, so it's got a long history of participating in airport transactions. We'd be the first to accept that not all airports are created equally. So when we purchased, I guess, the position in Glasgow Prestwick in particular, we had a strong top-down view about the way low-cost travel would evolve and point-to-point destinations in developed Europe. And that did play out for several years. But then fundamental changes occurred, not just in the industry, with Ryanair and the likes, but also with the economic environment in developed Europe. So you can see how an airport can quickly get exposed to shifts and you just can' just generalize around these sorts of facilities. We are looking at further airport opportunities and we wouldn't be adverse to investing the U.K. So there's nothing generic about U.K. airports that we're unhappy with, it's more an airport-by-airport situation that we'd be looking at and, as I said, we've still got an appetite for that type of exposure. I think there's probably more convincing opportunities over time likely to emerge closer to home. And we know that as a result of the financial crisis, you're going to have greenfield facilities being built in emerging markets. I doubt Infratil will be involved in those, but I think you will see secondary assets sold as either State or local government authorities are forced to divest or privatize some of these assets to release funds for other services, particularly new infrastructure. And that I think, Hamish [indiscernible], that would be our core focus. That type of secondary market, as it evolves, as these local authorities either decide they want to privatize completely or partially these types of assets. And as I say, some of those are closer to home. Any other questions in the room?

Unknown Analyst

Michael Arrington [ph]. Snowtown 2, potential for capital raising from partial sale. Could that become a listed or a dual-listed post-N.Z. type of security?

Marko Bogoievski
CEO & Director

I mean it could, but that's not the plan. So if we were to market this think, it would basically go straight into these sort of tier 1 sophisticated superannuation funds and some well-fund type investors. They're the ones that probably got the most appetite for what are post-construction, low-risk infrastructure with a long-term PPA attached to it. So I think that's the way you get the best value at the moment. They're bidding those sort of assets down to very low cap rates. And we have a pretty good feel for that, because TrustPower did actually have an initial look at the potential appetite for Snowtown 2 before construction. So we have a pretty good guide on what people are prepared to pay when you take away the construction risk. And we also know, just by looking at the private market's activity through Morrison & Co. that there's a premium, that's growing still, for low-risk infrastructure that's throwing off good current yields, and that's exactly what Snowtown 2 is going to do. So I would I expect there to be a private market transaction. All right, I think we'll go to the phones. I think we've got Sheryl. Have you got any questions for us here on the telephone?

Operator

The first question comes from Matt Henry of Goldman Sachs.

Matthew Allan Henry
Goldman Sachs Group Inc., Research Division

I just had a few questions. Just firstly, on Lumo. I was wondering if you could, I guess, break-out the strong performance between the cold winter benefits versus underlying run rate? And also potentially comment on what sort of margin you're seeing on new customers across the states and where your [indiscernible] are? And just lastly, with a recent regulatory changes around pricing has led you to modify your expectations for future growth on the customers and earnings, appreciating that the Direct Connection does give you a new material opportunity.

Unknown Executive

You want a crack at that?

Unknown Executive

Yes, I guess so. I think there's a couple of factors affecting volume at the end of the day. What you're seeing in electricity is the energy efficiency and conservation-type measures actually reducing electricity demand in the market, so your average consumption per customer is tightening or reducing. Obviously on the gas side, the colder winter did push-up gas volumes. I don't have a feel -- or I don't have figures with me at the moment on what the relative contribution was between gas and electricity versus last year, but clearly what has made an impact on the run rate is weakness in wholesale prices. So in other words, with holding retail prices at their current levels, the wholesale benefit of electricity low prices is flowed through to margin, and that's been quite significant. And on the gas wholesale side, the fact that we've been balanced in terms of our gas position has meant that we've made genuine margin in the Gas business, which struggled with in previous years. I think one of your other questions was around growth. We haven't been really active, at all, in Queensland over the last 6 months. South Australia also recently has had lower levels of growth, and we'd expect, going forward, that perhaps the South Australian market won't be so attractive for growth and that's mainly because the South Australian government has recently announced that they intend to reduce their government retail tariff of about 8% from January next year. So we currently offer something like government-regulated tariffs, less prompt payment discount of about 10%, so that will become effectively 2%. So that will make that market less attractive for us and there'll be an interesting response from AGL, who've got the largest customer base in that area. New South Wales growth has probably been a bit tougher than we expected but we have grown in that area, in that region, but most of our growth continues to come from Victoria. I think in terms of future growth, the Direct Connect opportunity will mean that we're flowing, annualized, about 100,000 more customers into our business from 2013, so currently we are adding, I think this period, just on 30,000. We expect to add another 30,000 to 40,000 for the remainder of the year, the Direct Connect contribution on top of that 100,000. So we could see our customer numbers increasing by 120,000 to 150,000 on an annualized basis. So as long as we can hold margins with those contributions, get efficiency across our operating costs, reduce our churn, because our churn levels are running ahead of market. We're about just over 30% churn, so we're working very hard on our internal process, as we're working hard on retention of customers prior to churn out opportunity, and we're obviously targeting customers of other retailers, as well. So there's intense activity. So I think we're pretty confident on growing our customer numbers. Margins -- obviously there's the possibility of margins tightening a little bit, mainly because of wholesale prices in the electricity market falling. So in terms of new prices to new customers today, they do tend to be a bit lower than our average tariffs to the rest of the customer base. Does that cover 3 or 4 questions Matt?

Matthew Allan Henry
Goldman Sachs Group Inc., Research Division

Yes, it was pretty good. I guess I just recognize the fact that this is an element of outside inner [indiscernible] business. So I was just trying to get some clarity on how much of the benefit was, I guess, one-off versus underlying improvement, but that's fine. I've got a question on buses, if that's possible, as well. I guess from my perspective, it looked like modestly disappointing, particularly given the significant CapEx that you put into the business out of the last 18 months and, by your forecast, over the next 6 months. I'm just wondering should we expect to see some sort of earnings benefit from that CapEx or are we as a [indiscernible] standstill, and I guess I'm pretty conscious of the headlines we've see around your labor discussions over the recent months.

Marko Bogoievski
CEO & Director

Look, I'd probably say that we're $3 million to $4 million at the 1/2 year below plan. And the reason for that are the $2 million prior period revenue adjustment and also some one-off costs that we've incurred in the first 6 months. So if you put those away, then we're probably running a couple of million ahead of last year, which isn't a bad result. I think the 5% passenger growth for the period is quite encouraging and we see no reason why we can't continue to grow at those sorts of levels. And there's a couple of reasons for that. One is the improvement in routes, and particularly, introduction of central flagship in Auckland last year. The other I think is the introduction of new fleet, which is having a benefit, obviously, on customer service. And we're working incredibly hard at improving our customer relationships, and working incredibly hard with Auckland transport and Greater Wellington Regional Council on the network, and making sure that we get efficiency of fleet and utilization and frequency for all users of public transport. So I think we'll see an improved second half of the year. And I think, in terms of the fleet investment, we recognize that we probably did under-invest in the first 3 or 4 years, that we earned the business and that was a reflection of that we weren't happy with the direction of the regulatory environment. That regulatory environment is now changing. We're very comfortable with the partnership arrangements we have in place with the funders. That does need to flow through to legislation. We're obviously going to have -- essentially, all contracts will go through the renewal process. Some will be negotiated, some will become commercial, will become a like-for-like basis. We're going to move to contracts which are 6- to 12-year durations. There will be tenders for some contracts. Those will happen over a 3- or 4-year period. And I guess the renewal of those terms, on the back of new fleet, will be looking to make sure that we earn the sort of return from the investment in the business which we would expect to. And so obviously higher fleet costs will mean higher EBITDA to, obviously, cover that cost of capital. So we're pretty positive about the business and we're doing a lot of things right to make sure that the business is moving in the right direction.

Operator

And the next question comes from Grant Swanepoel of Craigs.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

I just wanted to follow on from Matt's question, just in terms of Lumo and spectacular performance here, with 19% revenue growth and 71% EBITDAF growth. I was just wondering, what portion of your electricity is currently hedged and what is exposed to spot? And can you give some color on what hedge prices are currently looking like relative to where spot is sitting?

Marko Bogoievski
CEO & Director

They're very good questions, Grant, but probably not questions that I have the information to answer here at the table. And of course we -- our hedge position is quite commercially sensitive to us. So it's not information that we would generally make available anyway, to the market. Essentially our risk management processes on hedging electricity and gas have been in place for 5 or 6 years, since we started the business. The philosophies that we put in place on the back of the Morrison & Co. energy team. Over that time they've stood us in very good stead in terms of managing both our electricity hedge book and our gas. Yes, we had some issues with gas 2 or 3 years ago, but we went long gas, particularly because we know what the added risk might be if we were short. So that was a calculated risk. Essentially, it was an insurance premium. We've paid that premium. We're very happy with our position going forward, and we've got a balanced position across our gas and electricity.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

[indiscernible] a bit more detail, but could I then take from your comments that, if spot prices started rising again, we should see some reversal of this benefit?

Marko Bogoievski
CEO & Director

Not necessarily, because we're entering into hedges -- forward hedges all of the time. So we're taking the opportunity when prices are low to increase the hedge book. So it's a continual evolution.

Grant Swanepoel
Craigs Investment Partners Limited, Research Division

And just one last question on the same topic. Do you find that churn in your particular areas goes up materially when spot is so low and retail prices haven't moved much?

Marko Bogoievski
CEO & Director

Well I think spot prices have been on the decline now for 2 years. So inevitably we see a lot more activity when prices drop dramatically, but in fact, prices have been holding at about the same levels for the last 6 months or so. So we're not necessarily seeing a lot of activity because of the wholesale price. What we're seeing is activity from AGL and Origen and TRU, which is largely around their organizational objectives and their own strategic positions.

Operator

The next question comes from Lucy Cramer [ph] of Dow Jones.

Unknown Analyst

I was just wondering if you [indiscernible whether you guys had been shortlisted for that joint bid on Stansted airport?

Marko Bogoievski
CEO & Director

I think the question was around Stansted, was it? So, no, we can't confirm that. But I did answer the question earlier saying that, conceptually, there's no reason why Infratil is not interested in further exposure to airports, particularly in developed markets.

Unknown Analyst

Okay. It's just, I know they're down to 4 bidders for it and I just wanted to know whether you guys were still in it or not, whether you were one of them?

Marko Bogoievski
CEO & Director

No, we haven't. And we wouldn't know any way, right? In any case, if you think about it, you'd have to ask the vendor, I think. I think we've got time for one more question. Cheryl, I think we have time for one more if there is one there.

Operator

The next question comes from Stephen Hudson of Macquarie Securities.

Stephen Hudson
Macquarie Research

Just a couple of quick questions, and apologies if you've answered these. I was a little late to the call. I think, Kevin, you mentioned there was a one-off provision in the New Zealand bus result. I just wondered if you could give us an idea of the size of that. And also, on the bank facility rollover in 2014. Could you just give us some indication of what your expectations are for rolling that facility over?

Kevin Baker

Stephen, on the NZ Bus, it's $2 million, and on the bank facilities -- just to clarify, which one you're talking about?

Stephen Hudson
Macquarie Research

I think there was sort of a 300 -- I thought I saw something like a $308 million amount. I'm not sure if it's 1 facility or a number rolling over in 2014 fiscal year.

Kevin Baker

I suspect that it includes the redeemable preference share, which is $40 million, so that matures in August 2013. And we're reasonably well-advanced on discussions with renewal of that, and we renewed the bulk of our maturities that would typically mature in February of each year, already this year. So we have very little to do for February 2013. We have some Lumo facilities which are effectively on a 1-year renewal, which we renewed in June, July this year. That will come up again June, July next year, but no issues around that. And then the rest of Infratil's facilities are effectively on 3-, 4- or 5-year maturities. Does that help, Stephen?

Marko Bogoievski
CEO & Director
All right. Well we appreciate the questions from both the Wellington audience and those on the telephone. If you didn't get a chance to ask your question, we're happy to take those separately, offline. And that applies anytime, really, not just the dates we report our results. And again, thank you very much for your continued interest in Infratil. Good morning.