

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Jason Familton from First NZ Capital.

Jason Familton

Jarden Limited, Research Division

Just a few questions, if I may. This was just obviously the time at the prior receipt [ph] you gave guidance for international passenger volumes to be up 0.7% in the '13 financial year. I'm just wondering if you're still comfortable with that sort of number given your comment today around I guess muted growth in e-services you've seen added since you gave that number.

Simon D. Robertson

Former Chief Financial Officer

You can recall that we gave that number in June, so we -- and we had the information then around Qantas LAX withdrawal. We knew we were circling the Rugby World Cup, and we still think that that's a reasonable number, notwithstanding that we'll be chasing higher numbers through route development.

Jason Familton

Jarden Limited, Research Division

Okay. And secondly, just I guess a point of clarification, obviously you talked about this, that the Group plan for the end of calendar year 2013 in regard to the new terminal facility. I'm just -- I think this sounds like a long way different to obviously the end of this year for a new domestic terminal. Can you just confirm that, that hasn't been pushed out to the end of next year rather than the end of this year?

Simon D. Robertson

Former Chief Financial Officer

No. We'd be hopeful to work together with our key stakeholders and be a lot clearer on the options before us in this calendar year, and then we'll be engaging through AAA consultation through 2013 before we commence any work on the facility. So it, in our mind, it doesn't have any -- longer in terms of its delivery. We're very mindful of making sure we have a solution by the middle of this decade to ensure that our airline partners have the ability to grow their fleets and grow their domestic capabilities.

Jason Familton

Jarden Limited, Research Division

Okay. And just a few one, you saw -- obviously you're trailing off from the second half of marketing and promotional spend, I'm just wondering if you can give some guidance on where you see those costs going forward, and I guess with the introduction of Hawaiian, whether you'll see a pickup in the first half of '13.

Simon D. Robertson

Former Chief Financial Officer

I think the easiest way to answer that question is just to talk very generally around a typical marketing support that we might give new route services, in which we will always acknowledge that the first year of a new route, especially if it's a new route on it with a new airline, requires more support than subsequent years. So, partially what you've seen in the second half of the year is the commencement of some trailing off of slightly less marketing support to some route development activities that were undertaken previously. And you'll see a cycle of, we think, those sorts of expenditure filling -- trailing off further. But we always remain hopeful that we'll then have it with new entries, with new routes at the same time which will require new marketing expenditure. I think over the long term I'll be expecting total expenditure to be at the same sorts of levels if we're able to continue to grow route development activity.

Jason Familton

Jarden Limited, Research Division

Okay. And then just, obviously you had some good rental income growth over the full-year '12. I'm just wondering whether you can comment on rental income growth going forward, I guess on the timing and developments completed in 2012, just any new developments which you've currently got on the boards which will be completed in 2013?

Simon D. Robertson

Former Chief Financial Officer

Yes, made some reference to that, so we've only just recently completed toll holdings in CEVA, quite significant developments in the landing, and we've got some other works underway with ITW in the landing. We've also just completed the Quad building, which interestingly has our first tenant other than ourselves, being the Jetts Gym in the bottom floor which is a successful start to the leasing of the Quad building. And we have our standalone investment properties in terms of the warehouse development, the standalone warehouse in the landing and also the multi-tenant warehouse which is under construction as well.

Jason Familton

Jarden Limited, Research Division

And just finally, I just have a tiny [ph] question, just, can you just explain the difference between for the hotel, the impact line was there with some potentially below the amount which had contributed through associated earnings, can you just explain the difference between those 2 numbers?

Simon D. Robertson

Former Chief Financial Officer

Absolutely. I'll just put my CFO hat on. Yes, in terms of the Novotel, one of the differences between the partnership and Auckland Airport in terms of our accounting policies is we view the hotel as an investment property. The partnership does not. So we have revalued that business as an investment property, and that's included in the -- our share of their profits just to align our accounting policies, the accounting policies of the hotel with those of Auckland Airport. So that's the significant difference between their reported numbers in the financial statements and our share of earnings.

Operator

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

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

Just a couple of quick questions. Can you give us any color on what you'd be assuming on retail or car parking yields? Running into '13, by the look of things, they're starting to mature. Is that the right assumption getting into next year?

Simon D. Robertson

Former Chief Financial Officer

I think we've certainly seen, as one would have expected, the rate of growth of passenger spend rate in our international terminal drift back to probably more normal spend rate growth. In fact, what surprised us was just how long post the development of the departures area in international terminal that we're able to keep growing that momentum. In terms of retail, there's some positives, so the continuing development of the Chinese market is helpful for passenger spend rates. And that is -- that will be a positive. And as you know, Marcus, we've got some challenges in terms of tobacco, with specific reference to the changes in rules in Australia. They will provide some more challenges for us to maintain the same sort of level of momentum. So we will expect that to be a much slower growth in FY '13 than we've had in FY '12. Car parking though we still think has some great opportunities, and we're still working on that customer segmentation, getting the right product and the right price to the right passenger at the right time, and in doing so, deliver better yields for us.

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

And then just secondly, I know what you can say about NQA is limited, but just 2 questions. Do you think FY '13 is going to be a year where EBITDA growth starts to move in line with passengers? Obviously you've had some additional benefits coming through in terms of yield and costs. Are they starting to mature in '13?

Simon D. Robertson

Former Chief Financial Officer

No. In terms of the non-aeronautical parts of the business, and particularly at Cairns, we still see some very good potential. We've only just reopened a revamped walk-through Duty Free product in Cairns, with JR Duty Free that was just launched this month. We have also just launched this month a new covered car parking product in Cairns. So we still see growth in yield opportunities in the Cairns market for FY '13. We remain very confident around the previous guidance we gave the market following the acquisition with regards to FY '13 EBITDA numbers. So, very confident about achieving that.

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

And secondly, just can you give us any color on where the net debt in the business or the collective group sits at the end of '12?

Simon D. Robertson

Former Chief Financial Officer

You're referring to NQA?

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

Yes, just -- yes, for doing a valuation, just, yes, what the -- we've got the EBITDA number, now we just need the net debt number and we're just about there.

Simon D. Robertson

Former Chief Financial Officer

See, in the financial statements notes there's P&L and balance sheet for NQA.

Operator

[Operator Instructions] The next question comes from the line of Lance Reynolds from UBS.

Lance Reynolds

UBS Investment Bank, Research Division

Just a couple of things on Marcus' similar questions. One is that net debt number actually isn't on there, so it'd be good if you'd just maybe come back to us on that one on NQA. And in regard I guess to your initial feedback with airlines in regard to the development levy, early signs that they're against that or you haven't actually got to that stage in your consultation?

Simon D. Robertson

Former Chief Financial Officer

Sorry, can you ask the questions again?

Lance Reynolds

UBS Investment Bank, Research Division

Well, I think Marcus asked about NQA's net debt.

Simon D. Robertson

Former Chief Financial Officer

I got you, I'm sorry.

Lance Reynolds

UBS Investment Bank, Research Division

Yes, it's not in there. The second one is, in regard to the development levy or ideas around the development levy, has there been any progress around feedback from the airlines on that? I mean, should we still be thinking about a development levy as differently in terms of the way to structure it?

Simon D. Robertson

Former Chief Financial Officer

We haven't further engaged on pricing with regards to the new terminal facility. The discussion with our stakeholders at the moment is absolutely around whether what was the best location in the long term. Following that locational decision, we'll start to then get into AAA consultation on the final decision around the new terminal facility, which will include a pricing component, and we'll see how that progresses when we get the feedback from our airline partners.

Lance Reynolds

UBS Investment Bank, Research Division

Okay. And finally, just in regard to your dividend policy, would I be right in assuming that's moved to somewhere about circa 85% of free cash flow, if we could look through free cash flow, is that kind of...

Simon D. Robertson

Former Chief Financial Officer

I'll refer it to the cash flow -- operating cash flow in the cash flow statement, I think it moves to around 70% of operating cash flow. Just on your question, Julie has very kindly passed me the financial statements, and so the non-current liabilities section within that balance sheet is the debt.

Lance Reynolds

UBS Investment Bank, Research Division

It's all debt. Great.

Operator

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

Simon D. Robertson

Former Chief Financial Officer

Well, thank you all very much for your attendance now this afternoon. And thank you very much indeed. Bye.