



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Statement of Intent
for the period 1 July 2019 to 30 June 2022

New Plymouth Airport
PO Box 9022
Bell Block
New Plymouth 4351
Website: www.nplairport.co.nz

1. INTRODUCTION

This Statement of Intent (SOI) is presented by Papa Rererangi i Puketapu Ltd (PRIP) in accordance with the requirements of Section 64(1) of the Local Government Act 2002. It represents the objectives, nature and scope of activities to be undertaken and performance targets by which PRIP will be measured.

It covers the three years of operations from 1 July 2019 to 30 June 2022 and supersedes the previous SOI. This SOI will also have priority over any conflicts between PRIP's constitution and the SOI unless a clause of the SOI breaches the Companies Act.

1.1 The Local Government Act

The Local Government Act 2002 requires Council Controlled Trading Organisations to:

- Review their SOI prior to the commencement of each financial year
- Have a financial year ending 30 June each year

Schedule 8 of the Local Government Act 2002 states that the purpose of an SOI is to:

- State publicly the activities and intentions of the Council Controlled Trading Organisation for the year and objectives to which those activities will contribute
- Provide an opportunity for the Shareholder to influence the direction of the organisation
- Provide a basis for accountability of the Directors to the Shareholder for the performance of the organisation

1.2 Responsibilities

The Aerodrome certification, operation and use are governed by the New Zealand Civil Aviation Authority (CAA) and New Plymouth District Council (NPDC) is currently the Aerodrome Operator Certificate (AOC) holder. Whilst NPDC holds the AOC, PRIP will manage the New Plymouth Airport operations on behalf of NPDC, will be responsible for the redevelopment of the Airport terminal and ongoing capital development, will be responsible for the maintenance of the Airport assets and core infrastructure and will ensure full compliance with CAA Rule Part 139.

PRIP's primary goal is to operate the Airport on a sustainable commercial basis, to optimise the use of its assets and generate a reasonable return on investment to ensure the ongoing safe and successful operation of the Airport.

1.3 Contact details

Chairman	Philip Cory-Wright
Chief Executive	Wayne Wootton

Address:	Papa Rererangi i Puketapu Ltd (New Plymouth Airport) PO Box 9022 Bell Block, New Plymouth 4351
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2. PAPA RERERANGI I PUKETAPU LTD (PRIP)

2.1 Establishment of PRIP

In July 2017 NPDC established Papa Rererangi i Puketapu Ltd (PRIP) as a Council Controlled Trading Organisation (CCTO) to manage the full operations of New Plymouth Airport and to oversee a major redevelopment of the Airport's terminal and surrounding infrastructure. NPDC retains ownership of the Airport Company, holds the Aerodrome Operator Certificate and is the sole Shareholder.

2.2 The Organisation

PRIP is 100% owned by NPDC and operates as a standalone Company governed by an independent skills-based Board of four Directors, including a Chairperson, and employs its own Chief Executive and staff. PRIP operates under an SOI agreed to by its Directors and NPDC.

In addition to the appointed Board of Directors, the Shareholder can nominate an advisor who may attend PRIP Board meetings as an observer. This is currently the Council's Chief Operating Officer who will ensure strong communications and alignment between the Council and PRIP.

All Airport operations and assets are managed by the PRIP Chief Executive who has overall responsibility for implementing the Company's strategic direction and reports to the Company's Board of Directors.

The organisation is classed as a semi-commercial investment within the Council's Investment Policy.

PRIP owns passenger terminals, aircraft hangars, airside infrastructure, car parking areas, roading and underground utilities. These facilities are sited on land occupied under lease from the New Plymouth District Council.

The Airport provides services to allow the safe and efficient facilitation of travellers and freight and, ancillary to this, it leases terminal space and land at the Airport.

PRIP's prime objectives are to:

- operate the Airport in full compliance with the regulations set down by the New Zealand Civil Aviation Authority
- ensure that the business is run on a sustainable commercial basis
- optimise the use of its assets
- generate a reasonable rate of return on investment

The key to this is to ensure the ongoing safe and successful operation of the Airport, whilst also facilitating the growth of tourism and trade by working collaboratively with key stakeholders to sustainably increase passenger numbers.

In the management of the Airport operations, PRIP has the autonomy to set the following charges at the Airport:

- all fees and associated charges in respect to vehicle parking
- all landing and parking charges from regular passenger transport services
- all landing and parking charges from general aviation aircraft
- all revenue from tenant's leases and rents, licences, concession based contracts and lessees outgoings

The Airport is viewed as an essential infrastructure asset for the District and the Taranaki Region and has a key role to play in the economic performance, growth and development of the area. PRIP will work collaboratively with NPDC, the Venture Taranaki Trust, the Taranaki Chamber of Commerce and other key stakeholders, ensuring a combined approach to achieve the region's desired strategic goals.

3. GOVERNANCE

Governance sits with the Board of Directors of PRIP and the Board is responsible for the strategic and overall direction of the Company, laying down solid foundations for management and oversight.

The Board employs a Chief Executive who monitors the organisation's performance against pre-established Board criteria and has overall responsibility for implementing the Company's strategic direction.

The Board has four directors appointed by the Shareholder and meets regularly with the Airport Management to review the Company's performance and provides quarterly, half yearly and annual business performance reports to the Shareholder.

The PRIP Directors are:

- Philip Cory-Wright (Chair)
- Shelley Kopu
- Rachel Farrant
- Christopher Myers

4. MANAGEMENT

Management of the Company is the responsibility of the Chief Executive who employs a small team comprising of an Operations Manager, a Safety Manager, an Administration Assistant and part-time Operations Officers.

The Chief Executive is accountable to the Directors for implementing the Company's strategic direction and to ensure the ongoing safe and successful operation of the Airport in full compliance with CAA Rule Part 139.

5. RESPONSIBILITY TO THE SHAREHOLDER

5.1 Statement of Intent

In accordance with the Local Government Act 2002, the Company will submit a Statement of Intent (SOI) for the coming financial year to the Shareholder, New Plymouth District Council. The SOI sets out the Company's overall objectives, intentions, and financial and performance targets for the following three years.

A draft statement is required to be submitted to the Council's Chief Financial Officer (CFO) for comment by 1 March, following which the final SOI is to be provided to the CFO by the 30 April for adoption by Council in May, prior to the start of the SOI period.

5.2 General information flows and reporting

The Board aims to ensure that the Shareholder is informed of all major developments affecting the Company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

Whilst noting that PRIP will operate in a different market to Council, the Company is aware that New Plymouth Airport operates in a public environment and, as such, PRIP will exercise due care and attention in accordance with the Company's policies and procedures and the Council's sensitive expenditure policy.

Within these constraints, information is communicated to the Shareholder through the following:

- Quarterly reporting against the SOI's performance measures and financial forecasts to be provided to the Shareholder within 60 days of the end of the quarter.
- Delivery of a half-year report to the Shareholder's Performance Committee within 90 days of the end of the first six months of the financial year.
- Delivery of a Board-approved annual report with an unqualified Audit Opinion to the Shareholder's Audit and Risk Committee within 90 days of the financial year end. This report to be made available to the public once adopted by the Shareholder.
- Regular meetings between the PRIP Chief Executive and NPDC's Chief Operating Officer (COO) to ensure strong communications and alignment between the Council and PRIP. To further strengthen this relationship, the Council's COO may also attend PRIP Board meetings as an observer.
- Other ad-hoc reports and briefings to inform well in advance of any material for significant events, transactions or other issues that would be considered contentious or attract wide public interest – operating a *"no surprises policy"*.

5.3 Specific reporting

a) Airport Terminal Redevelopment

The Airport is currently undergoing a major redevelopment with the construction of a new terminal and associated infrastructure and PRIP has established a management structure to deliver the project in a timely manner and within the budget parameters.

The project team comprises a Project Director and Project Manager reporting to the PRIP Chief Executive, who is accountable to the Board for the project's successful delivery.

The project was approved by NPDC at the Council meeting on 4 April 2017 based on a business case compiled at that time. The assumptions used in the business case were reviewed by the PRIP Directors and the new terminal project was deemed to be fit for purpose based on the following:

- A suitability report from a commercial and property management consultant
- A value engineering exercise conducted by the project team
- Advice from an aviation consultant
- Specialist input from a retail consultant
- Feedback from the airlines
- Input from Puketapu Hapu

At this stage it is expected that the new terminal will be delivered within the budget of \$28.7m, to quality and scope and on programme to be operational at the beginning of 2020, however, the Board will ensure that the Council is informed of any material departure from these assumptions.

b) NPDC / PRIP agreements

There are various agreements that have been established between NPDC and PRIP for the ongoing operation of the Airport namely:

- Service Level Agreement
- Facility Agreement
- General Security Deed
- Intergroup Asset Transfer
- Deed of Lease of Airport Land

Following recommendations by Audit New Zealand after the Company's first year audit, the scope of the Service Level Agreement between the two entities has been reduced with the withdrawal of the financial services assistance. This will better support the Company's reporting requirements in preparation for Audit New Zealand's FY2019 audit process.

As per the revised Service Level Agreement, accounting, budgetary and Audit control are now the responsibility of PRIP. This includes all financial controls and processes, Companies Office returns, IRD requests, procurement policy and practices, managing Audit issues, fraud and risk assessment and meeting reporting deadlines as per the Council's timetable.

It is envisaged that Council will continue to offer administration support with human resources, information technology and public relations under the revised Service Level Agreement.

PRIP will continue to abide by these agreements, including any variations, in good faith and the Board will report any breaches to Council officers on a timely basis.

c) New Zealand Civil Aviation Authority (CAA) requirements

As holder of the Aerodrome Operator Certificate (AOC), NPDC is responsible for meeting all aviation operations and health and safety obligations under CAA Rule Part 139 including the ongoing management of an Airport Safety Management System (SMS).

PRIP has signed an agreement with NPDC to manage all of the Airport operations on a day-to-day basis. This agreement has been approved by the CAA. In accordance with the agreement, PRIP's Chief Executive is designated on the AOC as the Aerodrome Chief Executive, having direct accountability to the CAA.

PRIP will keep Council officers and the CAA informed at all times of any changes in the status of these obligations or any other matters relating to CAA Rule Part 139.

The current AOC is due to expire on the 30 September 2019 and PRIP Management will submit an application to the CAA for a five year renewal of the certificate during this SOI period. This will entail a complete review of the Aerodrome Exposition consisting of the following manuals, followed by a comprehensive audit to be undertaken by the CAA:

- Operations
- Safety Management
- Emergency Planning
- Rescue Fire
- Wildlife Management

6. CAPITAL EXPENDITURE PROPOSALS

The Council approved the construction of a new terminal and associated infrastructure with an estimated project cost range, based on a preliminary design, of between \$21.7m and \$28.7m. After the completion of the developed and detailed design stages, the total project cost is expected to be at the top of the budget range.

Therefore, the project team has been given approval by the PRIP Directors for a project spend of up to \$28.7m and the Council has been advised accordingly.

Following the FY2019 landing charge review, an updated financial model has been produced using the latest forecasted passenger numbers, a review of the operational and capital expenditure over the next three years and the Airport terminal redevelopment cost at \$28.7m.

This review has shown that the original business case assumptions were conservative and the Directors are confident that the reassessment demonstrates a very robust business case for the Airport terminal redevelopment, giving assurance the project will be sustainable in the long term.

The enabling works commenced in December 2017 with the building construction starting in July 2018. The programmed completion date for the project is anticipated to be during December 2019 with the new terminal being operational following a transfer period at the beginning of 2020.

In addition to the construction of a new Airport terminal, further capital projects totalling \$3.7m are proposed over the three year period of this SOI including:

- Rehabilitation works to the sealed runway shoulders
- Construction of a new aircraft stand to the apron
- Upgrades to underground services
- Alterations and extension to the car park
- Improvements to the Airport entrance

Capital expenditure for these projects will be subject to feasibility studies and sound business cases being presented to the Board for approval.

Forecasted capital expenditure

	2019/20 \$000	2020/21 \$000	2021/22 \$000
Terminal redevelopment	11,000	-	-
Proposed capital projects	2,300	800	600
Total	13,300	800	600

Further, a project is currently in the early stages to explore runway extension possibilities, as it is vital to consider the long-term sustainability of the Airport and safeguard the facility for the benefit of the Taranaki region.

The Airport is seeking a funding contribution through the Government's Provincial Growth Fund to undertake an initial feasibility study using a multi-criteria analysis of several runway extension options, involving key stakeholders and specialist input. Pending a decision on the Government funding, the project is on hold and at this stage has not been included in the forecasted capital expenditure table above.

As part of the establishment of PRIP, an Intragroup Asset Transfer Deed was agreed and PRIP control and manage the Airport assets on behalf of NPDC. An asset management plan will be established and a rolling programme of maintenance and capital improvements will be developed.

If any capital works are required in the future that cannot be funded from Airport operations, NPDC as the 100% Shareholder, will make the decision on any contribution for the works.

7. OPERATIONS

The Airport is an essential infrastructure transport hub for New Plymouth and the Taranaki region and provides facilities that are safe, efficient and welcoming to all users.

It is essential that PRIP positions the Airport for future aviation growth by close collaboration with the airlines and key stakeholders to facilitate the expansion of tourism, trade and domestic air travel and to play a key role in the economic performance and development of the region.

Another key aspect is that PRIP establishes long-term sustainable relationships with Puketapu Hapu and, in particular, the ongoing consultation with the Hapu over future proposals to extend the runway.

Prior to the establishment of PRIP, the Airport supported the Taranaki Air Ambulance Trust (TAAT) operations with an exemption from landing charges and PRIP will continue to honour this exemption subject to an annual review. Further, the Board of Directors have agreed to proceed with an annual sponsorship arrangement with TAAT which will be reviewed in October 2023.

If any capital works are required at the Airport to facilitate the air ambulance operation, PRIP will have the option available to generate revenue from the service to recoup the capital costs.

The operational performance of PRIP will be judged against the following measures:

7.1 Operational performance

- 1) Maintain the Airport facilities to avoid any disruption of scheduled commercial flights other than for weather or airline related problems.
- 2) Meet all the operating, maintenance, capital expenditure and interest costs from Airport revenue.
- 3) Manage New Plymouth Airport in full compliance with the approved operating procedures of Civil Aviation Authority Rule Part 139.
- 4) Complete the Airport terminal redevelopment project and have the new building operational in January 2020.

7.2 Passenger numbers

	2019/20	2020/21	2021/22
Forecasted passenger numbers	471,000	483,000	506,000

8. FINANCIALS

8.1 Ratio of PRIP's capital to total assets

For the next three years, the ratio of total capital to total tangible assets is expected to range from 0.43:1 to 0.45:1. PRIP's capital includes:

- Retained earnings
- Capital account

Total tangible assets include:

- Current assets
- Property, plant and equipment

8.2 Accounting policies

The accounting policies will be consistent with:

- The Financial Reporting Act 1993
- New Zealand Generally Accepted Accounting Principles (NZGAAP)
- Accounting Standards Review Board pronouncements

8.3 Financial performance

The following outlines PRIP's anticipated financial performance for the three year period ending 30 June 2022 assuming forecasted passenger growth, current and known future aircraft type and size, and other proposed commercial activity within the Airport confines:

Financial performance

	2019/20 \$000	2020/21 \$000	2021/22 \$000
Operating revenue	6,620	8,150	7,990
Operating expenditure	3,440	3,530	3,600
EBITDA	3,180	4,620	4,390
Depreciation, Interest & Tax	3,050	3,620	3,590
Net profit	130	1,000	800

8.4 Forecast statement of financial position

	2019/20 \$000	2020/21 \$000	2021/22 \$000
Assets			
Current assets	7,145	8,007	8,687
Property, plant and equipment	56,791	56,429	55,878
Total assets	63,936	64,436	64,565
Liabilities			
Current liabilities	4,341	4,591	4,670
Non-Current borrowings	32,250	31,500	30,750
Total liabilities	36,591	36,091	35,420
Net assets/liabilities	27,345	28,345	29,145
Total equity	27,345	28,345	29,145

8.5 Commercial value of the organisation

In keeping with the spirit of the Act, the value of the investment is the capital. This rationale is based on the fact that PRIP is a going concern and that the total assets are carried at fair value and assessed for impairment annually. This estimate will be re-assessed in the same manner on an annual basis.

	2018 \$000	2017 \$000	Movement \$000
Land	14,138	14,138	-
Infrastructure and buildings (landside assets)	5,513	6,208	(695)
Runway, taxiways and apron (airside assets)	8,433	8,800	(367)
Furniture and fittings	254	203	51
Total	28,338	29,394	(1,011)

8.6 Profit distribution policy

With the focus to be more commercially sound, profitability from the Airport operations is expected to improve over the coming years.

Provisions will be made for PRIP to pay a dividend to the Shareholder based on surplus funds once revenue received from Airport operations has met operational requirements and serviced and repaid borrowings. It is assumed that free cash flows will be used as dividends once the gearing ratio reaches 30%.

A capital review has been agreed once the Airport terminal redevelopment project has been completed which will further inform the profit distribution policy. It is expected that PRIP will target a shadow investment grade credit rating.

8.7 Procedures for share acquisitions

Any subscription, purchase or acquisition by PRIP of shares in a company or organisation will be consistent with the objectives of PRIP and will be made in consultation with Council.

8.8 Information to be provided

PRIP will make the following available to NPDC if there are any material changes:

- Information that would normally be available to assess the value of the Shareholder's investment.
- Details of any new developments which would involve a significant movement away from the current activities of the business.
- Information and details on any new developments which have not been covered in the Statement of Intent for the year.

8.9 Accounting designation

The Company is designated as a Public Benefit Entity for accounting purposes.