



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Statement of Intent
For the period 1 July 2022 to 30 June 2025

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 (The Act). 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 2021 to 30 June 2024 and supersedes the previous SOI.

1.1 The Local Government Act

The Local Government Act 2002 requires Council Controlled 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 Organisation for the year and objectives to which those activities will contribute
- Provide an opportunity for the Council to influence the direction of the organisation
- Provide a basis for accountability of the Directors to the Council 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). New Plymouth District Council (the Council) is currently the Aerodrome Operator Certificate (AOC) holder. Whilst the Council holds the AOC, PRIP will manage New Plymouth Airport operations on behalf of the Council, will be responsible for ongoing Airport capital development, will be responsible for the maintenance of the Airport assets and core infrastructure and will ensure full operational compliance with the 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

Chair	Philip Cory-Wright
Chief Executive	David Scott

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2. PAPA RERERANGI I PUKETAPU LTD (PRIP)

2.1 Establishment of PRIP

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

2.2 The Organisation

PRIP operates as a standalone company governed by an independent skills-based Board of four Directors, including a Chair, and employs its own Chief Executive and staff. PRIP operates under an SOI agreed to by its Directors and the Council.

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

PRIP owns the Airport terminal building, aircraft hangars, airside infrastructure, car parking areas, roading and underground utilities. These facilities are sited on land occupied under a long-term lease from the Council, the length of this term determining that the land, for accounting purposes, sits with PRIP as a company asset.

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:

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

As landlord, PRIP also has the power to enter into any building or ground lease agreements on Airport land.

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 the following to ensure a combined approach to achieve the region's desired strategic goals.

- New Plymouth District Council
- Iwi and Hapu
- New Plymouth Partners
- Venture Taranaki Trust
- Taranaki Chamber of Commerce
- Other relevant key stakeholders.

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 oversight.

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

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

The current PRIP Directors are:

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

A Council Board advisor attends Board meetings and acts as an observer but has no voting rights.

Term of appointment

Under Clause 6.4 of the terms of the company Constitution:

"No person may be appointed as a Director for a term of greater than 3 years. Any Director may be reappointed at the expiry of his or her term of appointment, provided that no Director may be appointed for more than 3 consecutive terms."

4. MANAGEMENT

Management of PRIP is the responsibility of the Chief Executive who employs a team comprising of an Operations and Safety Security Manager, part-time Operations Officers and two administration / accounting assistants (7.1 total full time equivalent).

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

The Chief Executive is also designated under the Civil Aviation Rule Part 139 as the Chief Executive named on the Aerodrome Operator Certificate.

5. COVID-19 IMPACT

The impacts of the 2020 worldwide Coronavirus pandemic have had a dramatic effect on the global aviation industry with passenger numbers and revenue falling to unprecedented levels both for airlines and airports.

New Plymouth Airport is no exception and, in consultation with Air New Zealand, PRIP originally forecasted that it would take a three-to-four year recovery period before passenger numbers would reach pre COVID-19 levels.

The first half of FY2022 has been significantly impacted by the Delta and Omicron variants of Covid-19. A countywide lockdown followed by Auckland operating in Covid-19 Level 3 status, resulted in a heavily reduced schedule. A full schedule resumed in mid-December 2021 but the travelling public have been slow to return to the normal levels. This has resulted in a forecast of 140,000 less passengers for FY2022.

On the basis of global vaccines and boosters being available and limited international travel resuming during 2022, a return to more or less full capacity is now forecast mid FY2023.

Consequently, PRIP has continued to work through various scenarios and has reviewed its economic model over the next three years based on minimising operational expenditure, maximising revenue and maintaining a capital works programme. PRIP will also continue to provide and maintain facilities that are safe, secure and welcoming to all users.

6. RESPONSIBILITY TO THE COUNCIL

6.1 Statement of Intent

In accordance with the Local Government Act 2002, PRIP is required to submit a Statement of Intent (SOI) for the coming financial year to the Council. The SOI sets out PRIP's overall objectives, intentions, financial and other performance targets for the following three years.

A draft SOI is to be submitted to the Council officers by 1 March. The draft SOI will be considered at the Council Controlled Organisation (CCO) Committee in April and, following feedback from the meeting, the final SOI is to be provided to the Council officers by 30 June.

6.2 Statement of Expectations

As part of the process of establishing the SOI the Council issues a Statement of Expectations (SOE) which guides PRIP's strategic direction and sets out expectations to be addressed in the SOI.

The SOE is developed in accordance with the Local Government Act 2002 Section 64b and includes:

- Specifies how PRIP will conduct its relationship with New Plymouth District Council and the wider district including local Iwi and Hapu
- Requires PRIP to act consistently with the statutory obligations of the Council and the Council's obligations pursuant to agreements with third parties.
- This draft SOI fully meets the expectations outlined in the SOE.

6.3 General expectations and reporting

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

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

PRIP is aware of the statutory obligations of the Council and will act in a manner that is consistent with these and also those pursuant to agreements with third parties, including Iwi and Hapu.

PRIP will continue to build upon the strong relationship with Puketapu Hapu that developed during the Airport Terminal redevelopment and other recent Airport projects. PRIP is aware of future decisions that may impact on local Iwi and Hapu and will ensure an appropriate level of consultation at all times.

PRIP was established to manage New Plymouth Airport operations on a commercial footing, however, any decisions taken by PRIP that directly affect the district will also consider the wider benefits to the community.

Within the constraints as noted above, information will be communicated to the Council through the following:

- Quarterly reporting against the SOI's performance measures and financial forecasts to be provided to the Council Officers for reporting to the CCO Committee within two months of the end of the quarter.
- Delivery of a half-year report to the Council Officers for reporting to the CCO Committee within two months 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 Council Officers for reporting to the CCO Committee within three months of the financial year end. This report to be made available to the public once adopted by the Council.
- Other ad-hoc reports and briefings to inform well in advance of any material or significant events, transactions or other issues that would be considered contentious or attract wide public interest – operating a *“no surprises policy”*.
- Regular meetings between the PRIP Chief Executive and the Council's Deputy Board Advisor to ensure strong communications and alignment between the Council and PRIP.

6.4 Specific expectations

a) Capital Projects

PRIP will continue to assess the need for future Airport infrastructure redevelopment based on the strategic direction of the company, the recovery following the Coronavirus pandemic and the anticipated growth in Airport use.

PRIP will have in place appropriate controls to ensure that projects are based on robust business cases, are appropriately managed and delivered within programme and on budget.

Projects of any value will require management to consult with the Board if there is a material impact on Iwi or Hapu or the project is contentious or could attract wide public interest.

In addition, when PRIP require funds from Council for capital works, they will provide updated quarterly cash flow forecast showing future borrowings.

b) NPDC / PRIP agreements

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

- Service Level Agreement
- Loan Facility Agreement

- General Security Deed
- Intergroup Asset Transfer
- Deed of Lease of Airport Land.

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

c) Loan Facility agreement

The loan agreement in its current form is to be reviewed.

d) Accounting

PRIP will continue to utilize Tandem Group Chartered Accountants for all accounting services. These will include, but not be limited to the following:

- Monthly and quarterly reporting to management and the Board
- Preparation of interim and annual financial statements
- Audit liaison (Audit NZ have view access to PRIP's Xero account)
- GST and FBT returns
- Company tax returns
- Companies Office annual returns and updates
- Tax advice
- Financial advice
- Asset management
- Payroll processing

PRIP also employs a part-time accounts assistant for creditor and debtor invoicing.

PRIP will provide Council access to their Xero accounting software (as offered to Audit New Zealand) for the finance team in order to streamline integration of PRIP financial information into NPDC's financial reports.

PRIP will present the signed FY2022 audit opinion and audit management report to the CCO Committee in December 2022 and will answer any financial performance queries as and when requested.

PRIP will provide Council Officers with a trial balance at each quarterly CCO's meeting.

e) Income Diversification

The impact of the Covid-19 pandemic has highlighted the importance for PRIP to look at opportunities to grow and diversify its income sources. Currently non-aviation related income provides less than 5% of PRIP's revenue and PRIP are committed to growing this where a satisfactory return can be achieved.

Currently rules in the district plan only allow for aviation or airport related businesses to operate at the airport. As a result the opportunity for income diversification is limited, however PRIP has identified 3 possible areas where opportunities do exist.

- The purchase of existing above ground buildings. A number of tenants have built hangars and rental car facilities on land they are leasing from PRIP. There may a low risk opportunity to purchase these improvements and lease back to the tenants.
- A number of airports around the country are developing solar farms. Christchurch, Hawkes Bay and Gisborne Airports all have plans in place for significant solar farms. PRIP is investigating if a solar farm would be a feasible investment on some of the existing spare land.
- The building of facilities for tenants. PRIP has been approached by a number of individuals and businesses who require facilities. The practice has been to lease the land and allow building or improvements to be developed. PRIP is evaluating if owning the buildings is more profitable.

These opportunities carry a different element of risk and PRIP will ensure the return on investment is reflective of that risk. A robust approval process, where the board review the business cases', ensuring the ROI is commercially appropriate is in place.

PRIP will fund these investments with cash from the business as well as drawdowns from the loan facility. PRIP will provide an updated performance report to the council at the quarterly meetings.

The current loan agreement PRIP has with the council will need to be amended to reflect the need for working capital in the event of further disruption due to the pandemic. In addition, funds will need to be available to provide capital for income diversification where needed, with PRIP paying an agreed interest once the funds have been drawn down.

f) New Zealand Civil Aviation Authority (CAA) requirements

As holder of the Aerodrome Operator Certificate (AOC), the Council 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 the Council 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, the PRIP Chief Executive is designated on the AOC as the Aerodrome Chief Executive, having direct accountability to the CAA.

PRIP will keep the 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.

7. CAPITAL EXPENDITURE PROPOSALS

PRIP's focus will be on infrastructure redevelopment within the Airport precinct and airside improvements.

Projects under consideration during the three-year period of this SOI:

	FY2023 \$000	FY2024 \$000	FY2025 \$000
Waste water treatment plant	800		
Perimeter fence security upgrade		200	200
Storm water drainage	50	50	50
Terminal aviation security	300		
Car park surfacing/repairs	200	500	500
Water reticulation upgrade		350	250
Taxiway and apron surfacing	2512	2512	
RFS Contract Review/Equipment Replacement		1500	
Entrance Road Redevelopment	1200		
Income Diversification	800		
Total	5,862	5,112	1,000

It is to be noted that the three-year list of projects and forecast budgets is only provisional at this stage and, depending on the scale of the projects, further Board approval will be subject to feasibility studies and business cases being presented by management.

This proposal does not include any provision for income diversification investments. A rigorous approval process will be undertaken before any projects are identified.

It is anticipated that PRIP will be able to meet the costs of the capital projects from a combination of operational cash flow and further draw-downs from the Loan Facility agreement.

8. 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.

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

8.1 Operational performance

- Maintain the Airport facilities to avoid any disruption of scheduled commercial flights other than for weather or airline related problems.
- Meet all the operating, maintenance, capital expenditure and interest costs.
- Recovery of the aeronautical portion of Airport operational costs through landing charges.
- Manage New Plymouth Airport in full compliance with the approved operating procedures of the Civil Aviation Authority Rule Part 139.

8.2 Passenger numbers

The figures below are based on the forecast recovery following the Coronavirus pandemic as at 01/06/2022.

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
Passenger numbers	362,000	435,000	454,000

9. FINANCIALS

9.1 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 be between 0.74:1 and 0.76:1

Total capital includes:

- Retained earnings
- Capital account.

Total tangible assets include:

- Current assets
- Property, plant and equipment.

9.2 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
- PRIP's Accounting Policies stated in pages 15 to 28 of the Annual Financial Statements to 30 June 2020.

9.3 Financial performance

The following outlines PRIP's forecasted financial performance for the three-year period ending 30 June 2025. It assumes passenger recovery following the Coronavirus pandemic continues as planned together with known future aircraft type and size and other proposed commercial activity within the Airport confines.

Financial performance

	FY2023 \$000	FY2024 \$000	FY2025 \$000
Revenue	7,777	9,612	10,317
Expenditure	3,803	4,039	4,167
EBITDA	3,974	5,573	6,150
Depreciation, interest and tax	2,451	3,316	3,840
Net profit after tax	<u>1,523</u>	<u>2,257</u>	<u>2,310</u>

9.4 Forecast statement of financial position

	FY2023 \$000	FY2024 \$000	FY2025 \$000
Assets			
Current assets	1,250	1,086	3,637
Deferred tax asset	-	-	-
Property, plant and equipment	69,810	73,831	73,602
Loan assets	47	38	29
Total assets	<u>71,107</u>	<u>74,955</u>	<u>77,268</u>
Liabilities			
Current liabilities	399	421	433
Current borrowings	1,387	3,943	313
Non-current borrowings	16,390	15,640	19,520
Total liabilities	<u>18,176</u>	<u>20,004</u>	<u>20,266</u>
Total equity	<u>52,931</u>	<u>54,951</u>	<u>57,002</u>

9.5 Commercial value of the organisation

PRIP's total assets are carried at fair value and assessed for impairment annually.

	2020/21 \$000	2019/20 \$000	2018/19 \$000	Movement \$000
Land	16,208	16,208	16,208	-
Infrastructure and buildings (landside)	37,471	35,284	5,183	2,187
Runway, taxiways and apron (airside)	9,098	8,988	8,098	110
Furniture and fittings	1,566	1,466	313	100
Artwork	581	421	-	160
Aispresso	640	-	-	-
IT Equipment	106	-	-	-
Total	65,668	62,367	29,802	2,556

9.6 Profit distribution policy

Following the impact of COVID-19, PRIP will not be in a position to pay dividends for a number of years. However, PRIP is expected to be operating a positive cash flow before CAPEX during the early part of the 2022 financial year.

Once revenue received from Airport operations has met operational requirements and serviced and repaid borrowings PRIP will notify Council and seek clarification on the best option for these funds.

9.7 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 the Council.

9.8 Information to be provided

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

- Information that would normally be available to assess the value of the Council'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.

9.9 Accounting designation

PRIP is designated as a Public Benefit Entity for accounting purposes.