



Papa Rererangi i Puketapu Ltd
New Plymouth Airport

Draft Statement of Intent
for the period 1 July 2021 to 30 June 2024

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
- New Plymouth Partners
- Iwi and Hapu
- 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.

The Deputy Chief Executive of the Council 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."

In November 2020 the Council advised that the tenure of each current Director would be extended to ensure continuity in the current environment and create the ability to rotate two directors every 18 months.

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 was 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. However, New Zealand's recovery has been much quicker than expected as compared to other countries and now there is good progress with a vaccine.

For the second half of FY2021, capacity on the Wellington and Christchurch sectors operated from New Plymouth was between 80% and 90% of pre COVID-19 levels, however, the largest volume route between New Plymouth and Auckland suffered due to no international connector traffic. On this sector the recovery has been slower at around 50% to 60% of previous numbers.

On the basis of global vaccines being available and limited international travel resuming during 2021, a return to more or less full capacity is now forecast late FY2022.

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 reduced 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 late March 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.

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 Chief Executive to ensure strong communications and alignment between the Council and PRIP.

6.4 Specific expectations

a) New Airport Terminal

The Council approved the new terminal development on the basis of the information presented in a business case presented on 4 April 2017.

The project was successfully completed and the new terminal opened for business on 17 March 2020. However, due to the New Zealand Government's country lockdown in response to the worldwide Coronavirus pandemic, the terminal was closed on 3 April 2020 and remained so until 14 May 2020.

Following an operational utilisation period of 12 months, PRIP undertook a post-project review, including a benefits realisation report, and this report was presented to the Council prior to the end of June 2021.

b) 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.

In accordance with the company's delegations policy, the Chief Executive has authority to authorise capital expenditure specifically identified within approved budgets up to a limit of \$250,000, however, this is limited to \$25,000 where capital expenditure is not included within an approved budget and only after consultation with the Board.

PRIP will have in place appropriate controls to ensure that projects are based on robust business cases, are appropriately managed, delivered within programme and on budget and will be subject to feasibility studies including:

- Financial and cost benefit analysis
- Consultation and input from Iwi and Hapu
- Feedback from the airlines and Airport stakeholders as appropriate.

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.

For the period of this SOI and as a result of the Coronavirus pandemic, some capital projects have had to be deferred but the remainder that are still under consideration are listed in:

Section 7: CAPITAL EXPENDITURE PROPOSALS.

c) 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.

d) Loan Facility agreement

From time to time, PRIP will require a draw-down of funds from the Loan Facility agreement to be able to advance capital projects or meet any shortfall in operational expenditure. As a prerequisite, PRIP will provide Council with an updated quarterly cash flow forecast, including estimated borrowing requirements.

The existing Loan Facility agreement comprises of two Tranches:

- Tranche A – the terminal redevelopment
- Tranche B – working capital.

Based on forecast capital expenditure and cash flows, the combined limit of both Tranches is expected to be sufficient to meet all of PRIP's cash requirements. However, considering that the terminal redevelopment has now been completed, there is a need to amend the terms of Tranche A to ensure the purpose and scope include other capital expenditure projects.

e) Accounting

Following PRIP's FY2018 audit, a recommendation recorded as 'Urgent Priority' was given by Audit New Zealand to:

"Streamline the accounting process – the integration of the Company's accounting functions into that of Council makes for overly complicated transactions with a poor audit trail. A more streamlined accounting process that is standalone would better support the reporting requirements of the Company."

As a result of this recommendation, PRIP sought tenders from local accounting firms to manage the Airport accounts as a standalone operation, separate from Council.

Tandem Group Chartered Accountants was chosen and, utilising Xero accounting software, commenced the following PRIP accounting services from March 2019, realising long-term cost savings as compared to when previously managed by Council.

- 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 (from April 2019)

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

There were teething problems, particularly with the transfer of historical financial data from one software system to another and, more recently, the capitalisation of the new terminal building and the write off of the old Airport assets.

However, the whole system is now far more streamlined, allows for effective monthly reporting to the Board and management have real-time accessibility through Xero accounting software. All Airport assets have been condensed and are better categorised, allowing for an effective asset management programme to be implemented.

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

PRIP will present the signed FY2021 audit opinion and audit management report to the CCO Committee on 14 December 2022 and will answer any financial performance queries as and when requested.

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.

In conjunction with New Plymouth Partners, PRIP will also allocate an annual sum for community sponsorship.

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

	2021/22 \$000	2022/23 \$000	2023/24 \$000
Airport entrance upgrade	1000		
Waste water treatment plant	800		
EV charging stations	100		
Perimeter fence security upgrade	200	200	200
Perimeter track upgrade	50	50	50
Storm water drainage	50	50	50
Terminal aviation security		300	
Car park surfacing		500 ^r (2)	500
Water reticulation upgrade		350	250
Apron extension - western side		1000	
Apron extension - eastern side			650
Taxiway and apron surfacing	500 ^r (1)		
Non-aeronautical revenue study	100		
Servicing works for Rental cars	120 ^r (4)		
Total	2,920	2,450	1,700

Notes

(1) taxiway Resurfacing has been changed to taxiway and apron resurfacing.

This has been bought forward to fy2021/22 which is in line with our runway maintenance programme.

(2) Car Park Surfacing has been pushed back a year. Kept as a place holder but won't be completed in the next financial year.

(3) Community Sponsorship has been removed from the capital budget and added to OPEX.

(4) 120k added for the servicing works required for the rental car ground leases.

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.

One key project that has been removed from the capital expenditure list is the main sealed runway extension. This was considered as vital for the long-term sustainability of the Airport and to safeguard the facility for the benefit of the Taranaki region, however, following the downturn in the market from the Coronavirus pandemic and the drawn-out recovery process, the project has been deferred for the time being.

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.

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 with this arrangement subject to an annual review. Further, the Board of Directors has agreed to continue with an annual sponsorship arrangement with TAAT which will be reviewed in October 2023.

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 30 June 2021 and do not account for any impact from further lockdown measures that could be enforced by the Government.

*Revised due to August 2022 lockdown.

	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
	365,000	430,000	449,000

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 0.78:1 and 0.81:1

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 2024. 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

	2021/22 \$000	2022/23 \$000	2023/24 \$000
Revenue	6,417	7,748	8,300
Expenditure	3,015	3,105	3,200
EBITDA	3,402	4,643	5,100
Depreciation, interest and tax	2,118	2,755	3,099
Net profit after tax	<u>1,284</u>	<u>1,888</u>	<u>2,001</u>

9.4 Forecast statement of financial position

	2021/22 \$000	2022/23 \$000	2023/24 \$000
Assets			
Current assets	1,373	1,400	2,552
Deferred tax asset	-	-	-
Property, plant and equipment	66,072	67,453	67,477
Loan assets	47	38	28
Total assets	<u>67,492</u>	<u>68,890</u>	<u>70,057</u>
Liabilities			
Current liabilities	787	1,081	1,053
Current borrowings	3,796	4,296	4,296
Non-current borrowings	11,300	10,700	9,950
Total liabilities	<u>15,883</u>	<u>16,077</u>	<u>15,299</u>
Total equity	<u>51,609</u>	<u>52,813</u>	<u>54,758</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
Land	16,208	16,208	16,208
Infrastructure and buildings (landside)	37,471	35,284	5,183
Runway, taxiways and apron (airside)	9,098	8,988	8,098
Furniture and fittings	1,566	1,466	313
Artwork	581	421	-
Airspresso	640	-	-
IT Equipment	106	-	-
Total	65,669	62,367	29,802

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.

It is intended that provisions will be made for PRIP to pay a dividend to the Council based on surplus funds once revenue received from Airport operations has met operational requirements and serviced and repaid borrowings.

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.

