

ATTACHMENTS

**Extraordinary Taupō Airport Authority
Committee Meeting**

13 February 2023

Table of Contents

4.2 Taupō Airport Authority Draft Statement of Intent 2024 - 2026

Attachment 1 Taupō Airport Authority Draft Statement of Intent (SOI) 2024 - 20263

TAUPŌ AIRPORT | TE TAUNGA WAKA RERERANGI O TAUPŌ



Taupō Airport Authority

Draft Statement of Intent
for the period 1 July 2023 to 30 June 2026

Taupō Airport
929 Anzac Memorial Drive
RD 2
TAUPŌ
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1. INTRODUCTION	3
1.1 THE LOCAL GOVERNMENT ACT	3
1.2 RESPONSIBILITIES	3
1.3 CONTACT DETAILS	3
2. TAUPŌ AIRPORT AUTHORITY (TAA)	4
2.1 ESTABLISHMENT OF TAA	4
2.2 THE ORGANISATION / OBJECTIVES	4
3. TAUPŌ AIRPORT	6
4. GOVERNANCE	7
5. MANAGEMENT	8
6. RESPONSIBILITY TO THE SHAREHOLDERS	9
6.1 STATEMENT OF INTENT	9
6.2 GENERAL INFORMATION FLOWS AND REPORTING	9
6.3 STRATEGIC FOCUS	10
7. CAPITAL EXPENDITURE PROPOSALS	13
8. OPERATIONS	15
8.1 OPERATIONAL PERFORMANCE	15
8.2 PASSENGER NUMBERS	15
9. FINANCIALS	16
9.1 RATIO OF TAA'S CAPITAL TO TOTAL ASSETS	16
9.2 ACCOUNTING POLICIES	16
9.3 FINANCIAL PERFORMANCE	16
9.4 FORECAST STATEMENT OF FINANCIAL POSITION	17
9.5 COMMERCIAL VALUE OF TAA	17
9.6 TDC LOAN TO TAA	18
9.7 INFORMATION TO BE PROVIDED	18
9.8 ACCOUNTING DESIGNATION	18

1. INTRODUCTION

This Statement of Intent (SOI) is presented by Taupō Airport Authority (TAA) 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 TAA will be measured.

It covers the three years of operations from 1 July 2023 to 30 June 2026 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 (CCO) for the year and objectives to which those activities will contribute
- Provide an opportunity for the shareholders to influence the direction of the organisation
- Provide a basis for accountability of the CCO governing body 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 TAA is currently the Aerodrome Operator Certificate (AOC) holder. TAA will manage the Taupō Airport operations, will be responsible for the ongoing capital development and will be responsible for the maintenance of the Airport assets and core infrastructure, ensuring full compliance with CAA Rule Part 139.

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

1.3 Contact details

Chair

Acting General Manager Wayne Wootton

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TAUPŌ

2. TAUPŌ AIRPORT AUTHORITY (TAA)

2.1 Establishment of TAA

TAA is the name given to the Joint Venture (JV) relationship between Taupō District Council (TDC) and the Ministry of Transport (MoT), representing the New Zealand Government, under a Deed drafted in 1973. Each partner has a 50% share in the JV and TAA manage the Airport operations on behalf of the JV partners.

TAA is a Council Controlled Organisation (CCO) as defined under the Local Government Act 2002 and was established to manage the full operations of Taupō Airport. The Airport General Manager reports to the TDC General Manager (Operations and Delivery) rather than the Chair of the TAA governing body.

2.2 The Organisation / Objectives

TAA is governed by a Standing Committee of TDC with powers delegated by the Council to the Committee as necessary to operate the Airport.

The Committee is a mix of TDC and independent skills-based local representatives. The Council, as co-owner of TAA, elects the Chair and TAA operates under this SOI as agreed to by the Standing Committee members and TDC.

All Airport operations and assets are managed by the TAA General Manager who has overall responsibility for implementing the strategic direction and reports to the TAA Committee members and TDC through regular Committee meetings.

The passenger terminal, airside infrastructure, car parking areas, roading and underground utilities form the assets within TAA's financial accounts. These facilities are sited on land owned by TDC that is designated for Airport use.

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.

TAA'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 and 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, TAA can set the following charges at the Airport subject to the approval of the TAA Committee, TDC and the MoT (in the case of landing charges):

- 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 Taupō and the wider region and has a key role to play in the economic performance, growth and development of the area. TAA will work collaboratively with TDC, Destination Great Lake Taupō (Taupō tourism), Amplify (Taupō economic development agency), Taupō Town Centre, the Taupō Chamber of Commerce and other key stakeholders, ensuring a combined approach to achieve the region's desired strategic goals.

3. TAUPŌ AIRPORT

Taupō Airport was originally constructed in 1963 and provides a complimentary mix of aviation and commercial activities. This includes scheduled regular passenger transport services, general aviation, skydiving adventure operations, scenic flights, agricultural aviation operations as well as non-aviation commercial and retail offerings.

Since the relaxing of the air travel restrictions following the COVID-19 pandemic, Taupō Airport is also beginning to see an increase in the number of jet charters bringing high value customers to the region, particularly international passengers.

In 2017, the Airport was identified as a critical piece of transport infrastructure, requiring urgent investment through the District Economic Strengthening Strategy (produced by Taupo District Council) and the Bay of Plenty Visitor Economy Strategy (produced by the Bay of Connections and partially funded by MBIE).

Subsequently, finance was successfully attained through the Government's Provincial Growth Fund scheme and, with the aid of both MoT and TDC funding as JV partners, a new terminal and associated infrastructure project was completed in early 2022.

The opening of the new terminal and much needed upgrade of infrastructure provides an incredible asset for the region and a community experience that is authentic, safe and efficient. It will ensure a great experience not only for the travelling public but is also a destination in its own right.

4. GOVERNANCE

Governance sits with the Committee members of TAA and the Committee is responsible for the strategic and overall direction of the Airport, laying down solid foundations for management and oversight.

TDC employs an Airport General Manager who monitors the organisation's performance against pre-established criteria and has overall responsibility for implementing the Airport's strategic direction.

The Committee members are appointed by TDC and meet regularly with Airport Management to review the Airport's performance and provide quarterly, half yearly and annual business performance reports.

The TAA Committee members are:

- [REDACTED] (Chair)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

5. MANAGEMENT

Management of the Airport is the responsibility of the General Manager with the assistance of a small team comprising of a full-time Operations Manager and a part-time Safety Manager.

For economic efficiency, Airport management also utilises the Air New Zealand and Sounds Air ground handling operator to assist with the day-to-day running of the Airport. This is through an Airport Operations Contract which also includes terminal cleaning, car park management and basic security.

Grounds and general maintenance of the Airport is split into two contracts:

- The airside bulk mowing is carried out by TDC's Parks and Reserves team with supervision by TAA management for aircraft movement compliance.
- The remainder of the airside grounds maintenance and all landside work is through a Grounds and General Maintenance Contract with a local company which includes maintenance of the terminal precinct, car parking areas, landscaping, fencing and gates.

The General Manager is accountable to the TAA Committee members and TDC for implementing the Airport's strategic direction, business development, stakeholder relations and to ensure the ongoing safe and successful operation of the Airport in full compliance with CAA Rule Part 139 and the Health and Safety at Work Act 2015.

6. RESPONSIBILITY TO THE SHAREHOLDERS

6.1 Statement of Intent

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

The draft SOI is required to be submitted to the JV partners for comment by 1 March, following which the final SOI is to be provided to the JV partners by the 31 May for adoption in June, prior to the start of the SOI period.

6.2 General information flows and reporting

TAA Committee aims to ensure that the JV owners are informed of all major developments affecting the Airport's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public

Whilst noting that TAA may operate in a different market to Council, the Airport is aware that it operates in a public environment and, as such, TAA will exercise due care and attention in accordance with Council's policies and procedures, including sensitive expenditure.

Within these constraints, information will be communicated as follows:

- Quarterly reporting against the SOI's performance measures and financial forecasts to be provided within 60 days of the end of the quarter.
- Delivery of a half-year report within 90 days of the end of the first six months of the financial year.
- Delivery of a Committee-approved annual report with an unqualified Audit Opinion within 90 days of the financial year end.
- Regular meetings between TAA General Manager and TDC senior executives to ensure strong communications and alignment between the Council and TAA.
- Meetings as required between TAA, TDC and the MoT
- 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*.

6.3 Strategic focus

a) TDC / TAA support services

Historically, TDC has provided services to TAA to ensure the Airport operations, in consideration of the small Airport management team, are managed effectively from a cost perspective. These support services include:

- Financial
- IT
- Legal
- Communications
- Grounds maintenance (large scale airside mowing)
- Facilities compliance (building warrant of fitness etc.)

TDC invoice TAA on a monthly basis for some of the support services but there is no formal agreement in place.

The intention during the early part of this SOI is for TAA and TDC to enter into discussions to formulate a Service Level Agreement between the two entities for the support which will detail the services to be provided and associated costs.

b) Governance structure review

TAA is a Council Controlled Organisation (CCO) as defined under the Local Government Act 2002 but, due to the historic size and scale of the airport, TAA has been essentially run as an activity of Council. This limits the ability to effectively manage the Airport as a standalone business.

In 2019 TDC engaged a consultant to carry out an independent review on the Governance structure of TAA which resulted in feedback and advice to move TAA from a Standing Committee of Council to a full Council Controlled Organisation structure, including the development of an independent Board of Directors tasked with providing high level governance over the Airport Company.

This would give the opportunity for the Airport to be managed on a more commercial footing and operate at industry best practice level whilst still providing stakeholders with the ability to provide valued input on strategic direction.

The process of forming a fully functioning CCO will initially require TAA to be registered as a business, the development of a company constitution and various agreements between TDC and TAA to be established, all with the full involvement of the MoT as the JV partner.

c) New Zealand Civil Aviation Authority (CAA) requirements

As holder of the Aerodrome Operator Certificate (AOC), TAA 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).

TAA's General Manager is designated on the AOC as the Aerodrome Chief Executive, having direct accountability to the CAA.

TAA 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 28 July 2023 and TAA 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 System
- Emergency Response

d) Airport Master Plan

In 2020 Airport management, in collaboration with local Architects, worked on the development of an Airport Master Plan and produced high level pictorial imagery of a proposal to segregate the Airport land into seven zones or precincts. Each zone considered various development opportunities, both aviation and non-aviation, and also included the acquisition of a parcel of land to the north west of the Airport.

At the current time TDC owns all of the Airport land with an Airport boundary in place which basically covers the operational areas. To fully develop the intent of the Airport Master Plan, it will be necessary for TDC and TAA to investigate options for the land surrounding the Airport and the possibility of redefining the boundaries to allow and expansion of Airport designated land.

e) Airport Asset Management Plan

Following the completion of the terminal and associated infrastructure redevelopment project, this has given the opportunity to take stock of all of the Airport assets:

- Buildings
- Fixtures and fittings
- Landside infrastructure – roading, paving, landscaping, underground services
- Airside infrastructure – runways, taxiways, apron, drainage
- Airport land

Currently, these assets are generally under TDC ownership, although they are included in TAA's statement of financial position.

TAA will work with TDC during this SOI period to formulate a detailed Airport Asset Management plan. This will require some definition as to asset ownership, a detailed asset register to be developed and who will be responsible for maintaining the Asset Management Plan moving forward.

f) Stakeholder relations

To effectively grow passenger traffic through the Airport and be of benefit for the region, a concerted effort has to be made by all interested parties for a common goal:

- Airport
- Airlines
- Council
- Tourism
- Economic development

Whilst there has been some coordination in the past between certain entities, this now has to take a much stronger direction, especially as the recovery continues from the devastating impacts of the COVID-19 pandemic.

During the SOI period, TAA will support this process by participating in regular forums with representatives from the key stakeholders and work towards the overall objective of making Taupō and the region the place to live, work, play and visit.

7. CAPITAL EXPENDITURE PROPOSALS

During the period of this SOI the following capital expenditure projects are being proposed subject to feasibility studies and sound business cases being presented by TAA management to the TAA Committee, TDC and the MoT for approval:

a) Airside apron extension

The Airport has recently completed a major redevelopment with the construction of a new terminal and associated infrastructure which was co-funded between the Crown (Provisional Growth funding and MoT) and TDC.

An apron extension to accommodate the growth in aircraft movements, particularly jet charters, was included in the terminal redevelopment project and this is due to be completed by the end of June 2024 to meet the requirements of the Government funding.

The apron extension project was originally estimated in 2020 and a budget of \$800k was proposed, however, considering inflation pressures since the estimate was carried out, the project will be reviewed and a new estimate produced.

For this draft SOI a provisional figure of \$1 million has been included in the forecasted Capital Expenditure table below and the updated estimate figure, once known, will be incorporated in the final SOI document.

b) Airside security fencing

As part of the terminal redevelopment the old terminal building will be demolished leaving an open area to the airside apron. Fencing will be necessary to prevent unauthorised access to the apron and TAA will take the opportunity to install 2.44m high security fencing in accordance with the Civil Aviation Authority (CAA) regulations.

The requirement for security fencing for 300m either side of the terminal was introduced at Tier 2 airports in 2017/18 but at that time Tier 3 airports were excluded from the rule. However, with the high number of jet charters at Taupō, the increasing number of regular passenger transport activity and the fact that the CAA may extend the rule to Tier 3 airports such as Taupō in the future, it has been decided that the appropriate security fencing is to be installed.

The MoT as JV partners have been approached for co-funding of this project and have agreed a 50% contribution.

c) Surface treatment works to the main sealed runway

In November 2022 management engaged an aviation consultant to carry out a runway condition survey.

The runway was last resurfaced with a 50mm asphaltic overlay in 2010 and such surfacing generally lasts between 15 to 20 years. A longer surface life of up to 30 years can be achieved with the appropriate use of a bitumen surface treatment.

To maintain the integrity of the surface and extend the life of the runway, the consultant has recommended that a proprietary surface treatment be applied during this SOI period for which a specialist contractor will be engaged to design and carry out the operation.

The consultant has anticipated that the cost of the treatment works will be circa \$600k.

In addition to the key projects above, further capital works are proposed over the three-year period of this SOI including:

- Resurfacing of the refuelling area to the north of the apron
- Rehabilitation works to the sealed taxiways
- Underground services
- Internal roading

Forecasted capital expenditure

	2023/24 \$000	2024/25 \$000	2025/26 \$000
Apron extension	1,000	-	-
Airside security fence	60	-	-
Runway surface treatment	-	600	-
Other capital works	50	200	300
Total	1,110	800	300

As part of the development of an asset management plan, 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, TDC and the MoT as JV owners, will be approached with regards contributions for the works.

8. OPERATIONS

The Airport is an essential infrastructure transport hub for Taupō and the surrounding area and provides facilities that are safe, efficient and welcoming to all users.

It is essential that TAA 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 TAA will be judged against the following measures:

8.1 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 and interest costs from Airport revenue.
- 3) Manage Taupō Airport in full compliance with the approved operating procedures of Civil Aviation Authority Rule Part 139.
- 4) Complete the Airport apron extension project before June 2024.

8.2 Passenger numbers

	2023/24	2024/25	2025/26
Forecasted passenger numbers	76,000	78,000	80,000

9. FINANCIALS

9.1 Ratio of TAA's capital to total assets

For the next three years, the ratio of total capital to total tangible assets is expected to range from 0.95:1 to 0.96:1. TAA's 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

9.3 Financial performance

The following outlines TAA's anticipated financial performance for the three-year period ending 30 June 2026 assuming forecasted passenger growth, current and known future aircraft type and size, and other proposed commercial activity within the Airport confines:

Financial performance

	2023/24 \$000	2024/25 \$000	2025/26 \$000
Operating revenue	1,218	1,531	1,582
Operating expenditure	867	895	925
EBITDA	351	636	657
Depreciation, Interest & Tax	522	644	682
Net profit	(171)	(8)	(25)

9.4 Forecast statement of financial position

	2023/24 \$000	2024/25 \$000	2025/26 \$000
Assets			
Current assets	467	201	456
Property, plant and equipment	21,627	21,782	21,401
Total assets	22,094	21,983	21,857
Liabilities			
Current liabilities	196	198	200
Non-Current borrowings	946	842	739
Total liabilities	1,142	1,040	939
Net assets/liabilities	20,952	20,943	20,918
Total equity	20,952	20,943	20,918

9.5 Commercial value of TAA

In keeping with the spirit of the Act, the value of the investment is the capital. This rationale is based on the fact that TAA 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.

	2022 \$000	2021 \$000	Movement \$000
Land	5,217	4,036	1,181
Infrastructure and buildings (landside assets)	7,187	2,528	4,659
Runway, taxiways and apron (airside assets)	4,607	4,748	(141)
Furniture and fittings	22	28	(6)
Total	17,033	11,340	5,693

9.6 TDC loan to TAA

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

In 2020 TDC agreed a loan facility to TAA and, whilst interest payments on the outstanding debt will be maintained, provisions will be made by TAA to repay the capital portion of the loan based on surplus funds once revenue received from Airport operations has met operational requirements.

9.7 Information to be provided

TAA will make the following available to JV partners if there are any material changes:

- 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.

9.8 Accounting designation

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