



TAUPO AIRPORT AUTHORITY

**STATEMENT OF
INTENT**

2023 – 2025

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DIRECTORY

Governing Body

Taupō Airport Authority Committee

Mayor David Trewavas
Councillor Kathy Guy (Council Representative)
Councillor Christine Rankin (Council Representative)
Chris Johnston (Business Representative)- Chair
Andrew Hintz (Business Rep)

Airport General Manager

Rhys Frearson

Bankers

Bank of New Zealand, Taupō – transactional banking

Auditors

Audit New Zealand on behalf of The Controller &
Auditor General

Solicitors / Legal Advisors

Le Pine & Co, Taupō

Insurance Brokers

Aon New Zealand Limited

Joint Venture Partners

Taupō District Council	50%
The Crown (Ministry of Transport)	50%

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INTRODUCTION

The Taupo District Council and the Crown - represented by the Ministry of Transport, own the Taupo Airport Authority (TAA) equally. The Taupo Airport Authority is a council-controlled organisation as defined by the Local Government Act 2002.

TAA is managed, under agreement with the Crown, by the Taupo District Council. Airport Management is represented by the General Manager of the Airport, along with an Operations Manager and Safety Manager. All three roles hold senior person status with NZ CAA.

The General Manager- Airport reports to the General Manager- Operations at Taupo District Council.

STRATEGIC FOCUS & MAJOR PROJECTS

The Taupo Airport will be:

- A destination in its own right
- A vibrant hub for Aviation and commercial business
- An experience that is authentic and efficient
- A service delivered for the community

How will we get there?

- Infrastructure development
 - Terminal
 - Parking
 - Airport hub environment (look & feel)
- Commercial land development
 - Airside/Aeronautical
 - Landside
- Growth of tourism product
- Increased commercial passenger numbers
- Relationship management
- Strong governance and strategic business planning

Taupo is one of a handful of regional towns in NZ currently experiencing both economic and demographic growth. Taupō Airport, built in 1963, provides a complimentary mix of aviation and commercial activities. This includes scheduled passenger transport services, general aviation, skydiving adventure operations, scenic flights, agricultural aviation operations as well as non-aviation commercial and retail offerings.

While it is not possible to quantify future expenditure via this Statement of Intent, the TAA signals that it anticipates that the next few years will be a period of consolidation for Taupō Airport in view of the travel restrictions brought on by the Covid-19 pandemic.

Development

The continued growth of the Taupo district is evident at the airport, reflected by user driven demand for increased facilitation of both scheduled passenger transport operations, and a growing general aviation sector.

The last upgrade to the terminal building and associated infrastructure occurred in 1994. The terminal and carpark currently, does not cope with existing passenger demand nor can it provide the facilities required to cope with future travel demands placed on the infrastructure, in a growing district.

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).

In 2018/19, the TAA has engaged AirBiz, aviation specialist consultants based out of Auckland to complete a feasibility cost estimate as well as a cost benefit analysis on the most appropriate quantum for the upgrade.

A redeveloped terminal and carpark precinct will create a gateway to the region that provides the amenity and level of service commensurate with Taupo District Council and central government economic growth aspirations. Construction started on the Terminal/Carpark project in July 2021 and estimated to be operating in early 2023. The project also includes an expansion of the existing apron due to be completed in March 2024.

In 2020, the airport created a new Airport master plan. The Master plan was constructed to provide strategic direction to cater for growing demand for further general aviation and commercial growth at Taupo Airport. The master plan has been adopted by both Taupo District Council, and the Crown.

TAA has received a number of expressions of interest from commercial helicopter operators to develop land to the North West of the runway in the area known as precinct 'D'. This area is donated in the master plan for expansion of rotor craft operations. The costs and initial income associated with this has been included in the projected financials in the 2024 financial year.

TAA has also investigated expanded revenue streams by way of cropping on unused land around the aerodrome. In 2021 TAA made a contractual agreement with 'Back Paddock Silage' to undertake a contract to plant Lucerne on vacant land around the airport. This ties in with land that is currently used for the same purpose.

A future development opportunity that TAA will look into perusing is expanding the fuelling option on the apron to include underwing re-fuelling. This would enable facilitation of divert flights from other ports into Taupo Airport. This would cost approximately \$80k to install initially but if we received 60 flights a year this would bring \$30k of income a year through landing fees, passenger fees and fuel commission.

Another capital item is to improve the boundary fencing to improve safety and security around the airport perimeter. This is yet to be quoted and will be completed once TAA has received surplus funds from the various increased revenue streams to investigate further.

Governance and structure

Taupo Airport Authority (TAA) and its joint venture partners are committed to operating at best practice level.

In 2019 TDC engaged BoardSense Ltd to carry out an independent review on the Governance structure of Taupo Airport Authority.

The feedback and advice from the consultant was to move TAA from a 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 TAA.

This structure would mean that TAA would be operating at industry best practice level, whilst still providing stakeholders with the ability to provide valued input on strategic direction.

It is the intent of the joint stake holders to review the overall structure of TAA, by way of third party consultation, to find the best structure for the Airport moving forward. This work was due to commence in 2021, but has been pushed back due to factors relating to time and cash flow.

PERFORMANCE TARGETS

- (a) To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems.

- (b) The airport will be operated in such a way as to continue to hold CAA Part 139 and part 100 certification.

- (c) The airport will manage health and safety risks and provide a safe and healthy environment for everyone affected by the activities of TAA including employees, customers, tenants, contractors and visitors.

- (d) That TAA will be self-funding in terms of its own cash flow.

- (e) TAA will evaluate and redefine its governance structure, to be more in line with industry best practice.

- (f) TAA will investigate and implement action points as per the airport master plan, with the aim of increasing growing demand for general aviation facilitation.

TAA shall continue to review its performance targets to reflect the future growth and development of its services and operations.

FINANCIAL DISCLOSURES

REPORTING ENTITY

The Taupo Airport Authority is a joint venture between Taupo District Council and the Crown with both parties having a 50% interest. Taupo District Council has responsibility for the management of the Authority. Governance is provided by a Committee of Council.

The primary objective of the Airport is to operate a successful commercially viable business providing land and infrastructure for the safe, appropriate, and efficient air transport needs of the Taupo district, rather than making a financial return. Accordingly, the Airport has designated itself as a tier two public benefit entity for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (PBE IPSAS).

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis and in accordance with the Civil Aviation Act 1990, the Airport Authorities Act 1966, and the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZGAAP).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared using the historical cost basis except for certain classes of assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Authority is New Zealand dollars.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

1. Goods & Services Tax

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

2. Revenue recognition

Revenue is measured at the fair value of consideration received or receivable

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered (except as described above) is recognised in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Landing revenue is recognised on a straight-line basis over the term of the payments.

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue.

Interest revenue is recognised as it accrues, using the effective interest method.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue is measured at the fair value of consideration received.

The main sources of income for the Authority are Airfield Landing Charges and Lease Income from leasehold sites at the airport. Income is recognised in the period to which it relates. Payment is received by credit card, EFTPOS, automatic payment or direct debit.

3. Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense

4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less.

5. Financial Assets

Taupo Airport classifies its investments as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

6. Trade Receivables

Trade receivables are recognised at their cost less impairment losses.

A provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

7. Property, Plant and Equipment

Property, plant, and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, and a vehicle.

These assets are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Airport and the cost of the item can be reliably measured.

Valuation methodologies

Those asset classes that are revalued are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Valuation of Land and Buildings

Airport land was initially valued at fair value by independent valuer Quotable Value New Zealand as at 1 July 2005, which was considered deemed cost. The land and buildings were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2019. Land is not depreciated.

Valuation of Infrastructural Assets

Infrastructure assets are the utility systems that provide a continuing service to the Airport and are not generally regarded as tradeable. They include the runways, roads, and stormwater systems together with other improvements of an infrastructural nature. The runway and roading assets were valued at fair value by WSP New Zealand Limited (formerly Opus Consultants Limited) at 30 June 2020. The stormwater system assets were valued at fair value by AECOM New Zealand Limited at 30 June 2021.

Additions

Additions between valuations are shown at cost.

The cost of an item of property, plant or equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

Subsequent measurement

Property, plant, and equipment, and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Depreciation

Land is not depreciated. Depreciation has been provided on a straight-line basis on all property, plant and equipment. Depreciation is provided at rates calculated to allocate the asset cost over the estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Infrastructural assets

Formation	Indefinite	Pavement	60 Years
Top Surface	15 Years	Kerb	50 Years
Footpaths	80 Years	Stormwater	50 – 80 Years
Fencing	10 Years	Street Lighting	15 Years

Operational Assets

Buildings	15- 80 Years	(1.3% – 6.7%)
Furniture and Fittings	4 - 10 Years	(10% - 25.2%)
Motor Vehicles	5 Years	(20%)
Office Equipment and Plant and Equipment	4 to 50 Years	(2%-25%)

The depreciation rates are applied at a component level and are dependent on the expected remaining useful life of each component.

Assets under construction/work in progress

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is separately disclosed

All the Authority's assets are classed as non-cash generating, that is they are not held with the primary objective of generating a commercial return.

Intangible Assets

Website

The website has been capitalised on the basis of costs incurred to acquire and bring to use the website. This has been valued at cost, and will be amortised over the expected useful life of the website. This is estimated as 4 years (25%).

Costs associated with maintaining computer software are recognised as an expense when incurred.

8. Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Taupo Airport Authority measures all investment property at fair value as determined upon lease renewal, or other contractual basis by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income.

All investment properties have been disposed.

9. Financial Liabilities

Short term creditors and other payables are recorded at their face value.

10. Employee Entitlements

Short-term employee entitlements

Provision is made in respect of the Airport's liability for salaries and wages accrued up to balance date, annual leave, long service leave, lieu leave, and gratuities.

Retiring gratuities and long service leave, where there is already actual entitlement, is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave and lieu day leave are accrued on an actual entitlement basis, using current rates of pay.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

11. Income Taxation

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

12. Going Concern

The Taupo Airport Authority consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupo District Council that financial support and / or funding will be made available to ensure that the Authority can continue its current operations.

Acquisition of new investments

Approval of the joint venture partners is required before the joint venture can subscribe for, purchase or otherwise acquire shares in any company or other organisation.

Local Authority Compensation

The joint venture seeks compensation for funding up to \$800,000 from Taupo District Council for the redevelopment project prior to December 2023.

Commercial value of the investment

The joint venture partner's estimate of the commercial value of the joint venture partner's investment in the TAA is equal to the net assets of the airport authority. Some asset classes will be revalued. Where an asset class is revalued, the revaluations will be carried out at least every five years.

Distribution of profits/reserves to joint venture partners

Any distribution of profits is allocated 50/50 between the joint venture partners. There is currently no intention to distribute accumulated profits to the joint venture partners, but for the foreseeable future, any capital reserves shall be used to fund Capital Expenditure.

Information to be provided to shareholders

The committee will provide the following statements to shareholders

- A draft Statement of Intent will be delivered to shareholders on or before the 1st of March in the year preceding the financial year to which the draft relates setting out its recommendations as per Schedule 8 Part 2 of the Local Government Act 2002.
- A half-yearly report will be delivered within two months after the end of the first half of each financial year. Each report will include the information required by the Statement of Intent.
- Within three months of the end of the financial year the Committee will provide a complete report on the organisations operations during the year including information required by the Statement of Intent, as well as Part 5 Sections 68 and 69 of the Local Government Act 2002.

Setting of Fees and Charges

A single till approach shall be taken in setting fees and charges.

It is TAA's intent to go through a review of landing fees in the second half of the 2023 financial year. This will be in line with our review of passenger landing charges that came about with the new terminal upgrade project.

Projected Statement of Comprehensive Revenue & Expense

	Projected 30/06/2023 \$	Projected 30/06/2024 \$	Projected 30/06/2025 \$
Income			
Revenue from services provided	688,426	930,590	946,701
Other Gains	-	-	-
Financial Revenue	-	-	-
Total Operating Revenue	<u>688,426</u>	<u>930,590</u>	<u>946,701</u>
Expenditure			
Employee benefit expenses	196,271	201,652	207,195
Depreciation and amortisation	355,398	443,026	438,592
Management and administration expenses	64,383	59,221	53,225
Other operating expenditure	<u>246,296</u>	<u>352,343</u>	<u>296,090</u>
Total Operating Expenditure	<u>862,348</u>	<u>1,056,242</u>	<u>995,102</u>
Operating Surplus (Deficit) before taxation	<u>-173,922</u>	<u>-125,652</u>	<u>-48,401</u>
Taxation (expense)/credit	-	-	-
Net Surplus (Deficit) after taxation	<u>-173,922</u>	<u>-125,652</u>	<u>-48,401</u>
Other comprehensive income			
Property, plant & equipment revaluations	-	-	-
Deferred tax on revaluation	-	-	-
Total Other Comprehensive Income	-	-	-
Total Comprehensive Income	<u>-173,922</u>	<u>-125,652</u>	<u>-48,401</u>

The projected ratio's of consolidated shareholders funds to total assets are as follows:

2022/23	87.8%
2023/24	84.4%
2024/25	84.0%

2020/21 Actual 92.49%

This ratio is calculated by dividing the total value of equity by the total value of assets