



# *Whangārei District Airport Statement of Intent*

*For the year 1 July 2022 to 30 June 2023*

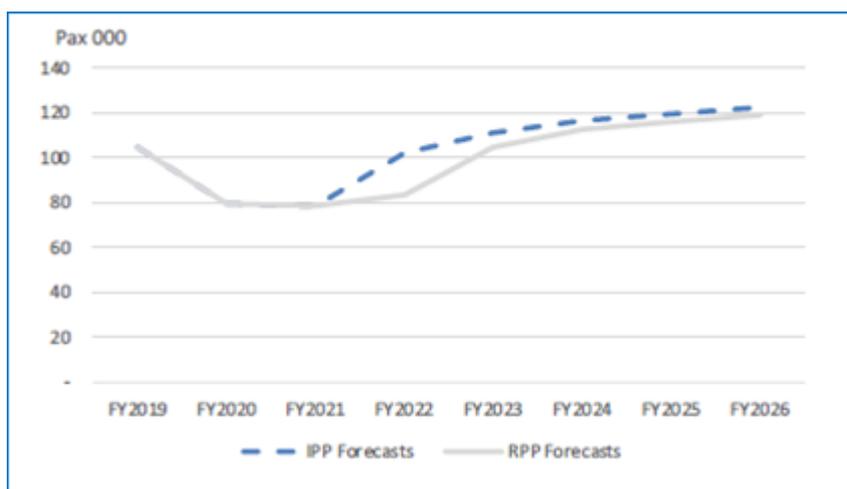
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## 1 Introduction

The ongoing impact of COVID-19 on Whangarei District Airport has given cause to revise passenger forecasts in the light of new information, including updated data on actual aircraft movements for November 2021 to March 2022. Work was undertaken in projecting returns to pre-COVID passenger numbers as part of a Landing Fee Review undertaken in late 2021. As shown below, this revision has resulted in a flatter recovery to pre-COVID-19 levels than that included in the Landing Fee Initial Pricing Proposal (IPP) and updated for the Revised Pricing Proposal (RPP) presented to Council in May 2022.

**Figure 1 IPP (Late 2021) vs RPP (May 2022) Pax Forecasts 000 pax movements**



The key differences are:

- Lower than expected services on the AKL-WRE sector in late 2021, and
- Lower than originally expected load factors, plus
- A slower forecast recovery in FY2023 than originally forecast in the IPP.

It is expected that passenger numbers won't fully return to pre-COVID levels until late in the FY2023 year. Until international borders are fully open the emphasis on domestic travel continues to be paramount for the District and the relationship with our national service provider.

The focus over the next three years is to continue to meet required legislative compliance while maintaining a sustainable operation on existing cash reserves. With cash reserves expected to be depleted in year two, capital works are being reprioritised accordingly. Unless passenger numbers return to pre COVID-19 levels, Joint Venture partners will need to consider the allocation of additional funds.

Key areas of focus include:

- Continued Civil Aviation Authority (CAA) Certification
- Implementation of Airport Rescue Fire Fighting Service (RFS) as required under the CAA Rule 139.111
- Maintain effective Safety Management System and continued development and compliance
- Explore additional revenue streams and operational savings to offset any potential fall in landing fee and carparking revenues
- Explore social and environmental responsibility issues
- Co-ordinated approach to support domestic tourism and District Development

## **2 Purpose of the Statement of Intent**

This statement of intent is prepared in accordance with section 64 of the Local Government Act 2002. It outlines the activities and intentions of the Whangārei District Airport (WDA) for the next three financial years, and the objectives to which those activities will contribute. It provides a basis for accountability to Council and the public for the performance of the organisation.

## **3 Purpose of the Organisation**

The overarching purpose of the Airport is to operate a fully serviceable Domestic Airport for the use of residents and visitors to the area. The Airport is situated at Onerahi in Whangārei. The day-to-day operational activities of the Airport are managed under the aegis of Whangārei District Council (Council) by way of a management contract with a contractor (currently Northland Aviation Limited).

## **4 Nature and Scope of Activities**

### **4.1 Activities Provided**

The nature of the activities that the Airport provides includes the following:

- To provide Airport services to and from the Whangārei area
- To operate the Airport in a cost effective and efficient manner
- To seek opportunities to widen the Airport's revenue base
- To adhere to the terms of the Aerodrome Operating Certificate issued by the Civil Aviation Authority
- To meet Civil Aviation Authority certification requirements
- To achieve the objectives outlined in this statement of intent

## **4.2 Whangārei District Council Vision**

The Airport will operate in support of Council's vision and community outcomes. Council's vision is to be an 'inclusive, resilient and sustainable District'. This is achieved through the following community outcomes.

- Efficient and resilient core services
- Positive about the future
- Caring for the environment
- Proud to be local

The Airport supports these outcomes by providing an Airport facility that acts as a gateway to the Whangārei District and to Northland.

## **4.3 Additional Legislation**

The Airport has obligations under the Civil Aviation Act 1990 and will ensure that it complies with all requirements under this Act when operating the Airport.

The Airport was established under the Airport Authorities Act 1966 which governs how Council will operate and maintain the Airport.

# **5 Approach to Governance**

## **5.1 Joint Venture Agreement**

The Airport is owned and operated under a joint venture partnership between Council and the Crown (represented by the Ministry of Transport). The land that the Airport is situated on is 100% owned by the Crown, runways, plant and equity are 50% owned by the Crown and 50% owned by Council.

## **5.2 Airport Authority**

Council operates the Airport as the Airport Authority under the Whangārei Airport Establishment Order 1963 pursuant to the Airport Authorities Act 1966. Council, as the Airport Authority, provides the role of the board of directors under the Local Government Act 2002. The Airport Authority meets on an as needed basis. Council contracts the day-to-day management of the Airport to Northland Aviation Limited under a management contract.

# **6 Objectives**

- 1. To achieve the objectives of Whangārei District Council and the Ministry of Transport.**  
This includes achieving both the commercial and non-commercial objectives that are outlined in this statement of intent.
- 2. To operate a fully serviceable District Airport.**  
The Airport will operate as a fully serviceable District Airport for the use of visitors, residents and ratepayers.
- 3. To provide a good work environment.**  
The Airport will be fair to its contractors and users and maintain a good working environment.
- 4. To exhibit a sense of social and environmental responsibility.**  
The Airport operates with regard to appropriate environmental practices, legislation, and in recognition of the designation requirements of the District Plan.
- 5. Airport operation will meet the needs of aviation operators and their customers.**  
The short and long-term objectives of Airport operation will meet the needs of scheduled and non-scheduled aviation operators and their customers.
- 6. Health and safety standards are promoted and maintained.**  
This includes recognising the New Zealand Civil Aviation Authority health safety requirements and other requirements.

## 7 Performance Targets and Measures

Objective	Performance Measure		
	2022/23	2023/24	2024/25
1. To achieve the objectives of WDC and the MoT.	To operate within agreed financial budgets. Actual spend ≤ budget.	Actual spend ≤ budget.	Actual spend ≤ budget.
2. To operate a fully serviceable District Airport.	To encourage new business development and existing business expansion by engaging alternative aviation and airport service providers and enabling business to grow through lease management and land use consent process.	Enable business to grow through lease management and land use consent process.	Enable business to grow through lease management and land use consent process.
3. To provide a good working environment.	Maintain user satisfaction through achieving satisfactory and very satisfactory ratings on the annual user survey. >75%	>75%	>75%
4. To exhibit a sense of social and environmental responsibility	Maintain best Practise noise management process Explore sustainability opportunities.	Record all noise complaints, comply with required noise contours.	Record all noise complaints, comply with required noise contours.
5. Airport operation will meet the needs of aviation operators and their customers.	Maintain Airport Certification by continuing to meet certification standards required by the Civil Aviation Authority  Meet required legislative timeframes under the LGA and CAA.	Fulfil expectations of the CAA as determined by annual audit.	Fulfil expectations of the CAA as determined by annual audit.
6. Health and safety standards are promoted and maintained.	Maintain an effective Safety Management System. • Annual management review • Annual training schedule is up to date • Airport Safety meetings every 10 weeks • Three operator meetings per year.	Maintain an effective Safety Management System.	Maintain an effective Safety Management System.

## **7.1 Further Explanation**

Any abbreviations and technical terms used in the table are defined below:

- CAA refers to the Civil Aviation Act 1990
- LGA refers to the Local Government Act 2002
- MoT refers to the Ministry of Transport
- SMS refers to the Airport's Safety Management System
- RFS refers to the Airport's Rescue Fire Fighting Service
- WDC refers to Whangārei District Council

## **8 Information to be Provided Throughout the Financial Year**

### **8.1 Half-yearly Report**

The Airport will provide Council and the Ministry of Transport with a half-yearly report on its operations. The half-yearly report will be provided within 2 months of the first half of the financial year ending (28 February 2023). The report will include:

- Commentary on operations for the relevant six-month period, including commentary on both the financial and non-financial results.
- A comparison of performance against the objectives and performance targets set out in the statement of intent.
- Un-audited financial statements including a statement of financial performance, statement of financial position, cashflow statement, and notes to the financial statements.
- Financial forecast for the balance of the year.

The format of the half-yearly report will be similar to this statement of intent.

### **8.2 Annual Report**

The Airport will provide Council and the Ministry of Transport with an annual report on that Airport's operations for that year. The annual report will be provided within 3 months of the financial year ending (by 30 September 2023). The annual report will include all the information necessary to enable an informed assessment of operations, including:

- A comparison of the performance targets and measures outlined in this statement of intent, and the actual performance of the Airport for the financial year.
- Any material variances from the expected performance of the Airport, and explanations for those variances.
- The amount of any compensation sought or obtained from Council or the Ministry of Transport.
- Audited financial statements for the financial year including a statement of balance sheet, statement of income, statement of movements in equity, statement of cash flows, and notes on the financial statements to be presented in a standard format.
- An independent auditor's report on the financial statements and the performance targets and other measures by which the Airport's performance against its objectives may be judged.

The format of the annual report will be similar to this statement of intent.

### **8.3 No Surprises Approach**

To ensure there is timely notification of any major issues, the Airport commits to a no surprises approach beyond the formal reporting requirements.

This means that Airport management (Northland Aviation Limited) will proactively inform Council and the Ministry of Transport, when the Airport's operations could; create a major issue for the Airport or Council, trigger public interest, have political implications, or gain significant media attention. Management will report to Council staff via email.

Management will seek Council and the Ministry of Transport approval prior to any extraordinary expenditure.

## **9 Distribution of Accumulated Profits and Capital Reserves**

There is no distribution of accumulated profits or capital reserves to the joint venture partners during the year.

## **10 Estimate of Commercial Value of the Shareholders' Investment**

The commercial value of the partners' investment is set out in the statement of accounting policies included in this statement. It is noted that the land is a restricted asset and revaluation on a commercial basis would be misleading. At the time of writing, the 20/21 audit was in progress. The draft financial statements for the year ended 30 June 2021 record the total equity in the partnership of \$4,413,877 (2020: \$4,595,253).

## **11 Compensation Sought or Obtained**

The requirement to implement an Airport Rescue Fire Service resulted in unbudgeted operational and capital expenditure during the year to 30 June 2022. MoT approved \$905,000 for the unbudgeted capital spend. At the time of writing this Report, WDA has incurred \$13,509.37 in capital expenses relating to the establishment of the RFS beyond the \$905,000 cap (1.49% over cap) due to unforeseen cost escalations during implementation of the RFS. The escalations are due in part to the Fire Truck arriving in NZ with British fittings that were incompatible with NZ Standard Fire Service hydrant and hose fittings, complexity around installing radios, beacons and siren systems in vehicles and up-spec in Structural Firefighting Uniforms. The Joint Venture Deed requires the Ministry of Transport to cover the full capital cost of implementing a Rescue Fire Service and WDA will be seeking reimbursement of the additional \$13,509.37.

The Airport is not otherwise seeking any compensation from Council or the Ministry of Transport.

The budget also indicates a contribution of \$400k (\$200k per JV partner) in year two and \$600k in year three (\$300k per JV partner) – a total of \$500k from WDC. The 2021-2031 Long Term Plan provides for \$637,337 as contribution from WDC in years one and two which is more than is required in this Final SOI.

Council has a provision in its capital estimates for the expenditure of funds on non-aviation related items as a community contribution to amenities at the Airport, and occasional capital sum investment in the assets owned by Council at the Airport.

## **12 Notes to Accompany Budgeted Financial Information in Appendix 2**

### ***Income from Landing Fees:***

At the time of writing this Report, WDA is concluding a Landing Fees Review with Air New Zealand that will result in a significant increase in landing fee revenue. The pricing model will move from a per flight to per passenger basis, with a Base Aero charge that is stepped over the current (FY2022) and subsequent three financial years. Landing fee revenues are based on passenger numbers returning to pre COVID-19 levels during the 2022/23 year.

### ***Income from Operational Recoveries:***

Operational Recoveries are mostly comprised of RFS Operational Costs recovered from Air New Zealand. Agreement is being reached with Air New Zealand that recovery will be adjusted to account for any shortfall in costs due to fluctuation in passenger numbers.

## **Appendix 1: Accounting Policies**

### **1.1 Reporting entity**

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

## **2 Significant accounting policies**

### **2.1 Basis of preparation**

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Airport will continue to operate in the foreseeable future.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting Accrual (Public Sector) on the basis that the Airport does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

### **Goods and services tax**

The Airport is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (\$) . The functional currency of the Entity is New Zealand dollars.

The financial statements are presented in New Zealand dollars.

### **2.2 Revenue and expenses**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

#### **(i) Grants**

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

#### **(ii) Interest income**

Interest revenue is recorded as it is earned during the year.

#### **(iii) Sale of services**

Revenue from the sale of services is recognised when the services are provided to the customer.

#### **(iv) Administration, overheads and other costs.**

These are expensed when the related service has been received.

### **2.3 Income tax**

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

### **2.4 Bank accounts and cash**

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown as current liabilities in the statement of financial position.

### **2.5 Debtors**

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

## Appendix 2: Budgeted Financial Information

### PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

	BUDGET 30 June 2023	BUDGET 30 June 2024	BUDGET 30 June 2025
<b>Income</b>			
Landing fees	629,000	787,000	938,000
Sundry income advertising	14,000	14,000	14,000
Operational Recoveries	495,000	508,000	514,000
Rent received	210,000	220,500	231,525
Interest received	500	500	500
Carpark Income	135,000	145,000	145,000
<b>Total Income</b>	<b>1,483,500</b>	<b>1,675,000</b>	<b>1,843,025</b>
<b>Less Expenses</b>			
<b>Airfield Expenses</b>			
Drainage	20,000	21,000	10,000
Fencing	5,000	5,250	5,513
Grounds R&M	23,500	14,175	14,884
Runway R&M	10,824	11,365	11,934
Lighting R&M	27,061	28,414	29,834
Other R&M	30,000	31,500	33,075
	<b>116,385</b>	<b>111,704</b>	<b>105,239</b>
<b>Terminal Expenses</b>			
Insurance	33,119	36,431	40,074
Cleaning	25,306	26,571	27,900
Advertising	6,500	6,825	7,166
Rates	23,806	24,639	25,502
Electricity	31,500	33,075	34,729
Weather station	5,000	5,250	5,513
Security	15,000	15,750	16,538
Water	1,900	1,995	2,095
R&M	40,000	18,000	18,900
Other Expenses - Terminal	5,000	5,250	5,513
	<b>187,131</b>	<b>173,786</b>	<b>183,928</b>
<b>Rescue Fire Services</b>			
Other Expenses - RFS	13,000	13,650	14,333
Certification - RFS	15,000	15,750	16,538
Insurance - RFS	22,464	24,710	27,181
Maintenance - RFS	20,000	21,000	22,050
Management Fee - RFS	430,000	451,500	474,075
	<b>500,464</b>	<b>526,610</b>	<b>554,176</b>

<b>Administration Expenses</b>			
Management Fee	355,991	373,434	391,733
Telephone	1,732	1,819	1,909
Audit fees	24,941	26,188	27,497
Accounting Fees	10,000	10,000	10,000
Legal Fees	2,000	2,100	2,205
Bank Fees	7,875	8,269	8,682
Certification	10,000	3,000	3,150
Conferences	2,500	5,125	5,381
Other Expenses	10,850	11,393	11,962
Other Professional fees	24,080	25,284	26,548
	<b>449,968</b>	<b>466,611</b>	<b>489,068</b>
<b>Total Expenses before depreciation</b>	<b>1,253,948</b>	<b>1,278,711</b>	<b>1,332,411</b>
<b>Net Surplus (Loss) before depreciation</b>	<b>229,552</b>	<b>396,289</b>	<b>510,614</b>
Depreciation	451,494	618,944	671,444
<b>Net Surplus (Loss) before tax</b>	<b>(221,942)</b>	<b>(222,655)</b>	<b>(160,830)</b>
Tax Expense	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(221,942)</b>	<b>(222,655)</b>	<b>(160,830)</b>

	<b>BUDGET 30 June 2023</b>	<b>BUDGET 30 June 2024</b>	<b>BUDGET 30 June 2025</b>
<b>Capital Expenditure</b>			
Rescue Fire Service Operational Building and Associated Roading	1,840,000		
Tractor and mower	79,000		
Taxiway C sealing	150,000		
Bird Control Drone	6,000		
Carpark extension	150,000		
Upgrade of navigation lighting		80,000	
Power & Capacity upgrade		50,000	
Apron Extension		700,000	
EV Charging facilities		45,000	
Reform and re-seal hanger access road			120,000
Runway edge lights			850,000
Re-seal over taxiway			80,000
<b>Total capital expenditure</b>	<b>2,225,000</b>	<b>875,000</b>	<b>1,050,000</b>

## PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY

	30 June 2023	30 June 2024	30 June 2025
<b>Opening Equity as at 1 July</b>	5,045,924	6,663,983	6,841,327
Capital Contribution - JV Partners	-	400,000	600,000
Capital Contribution - MOT	1,840,000	-	-
Plus Profit (Loss) for the year	(221,942)	(222,655)	(160,830)
Total increase/(decrease) in equity	1,618,058	177,345	439,170
<b>Closing Equity as at 30 June</b>	<b>6,663,983</b>	<b>6,841,327</b>	<b>7,280,498</b>

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	30 June 2023	30 June 2024	30 June 2025
Equity	6,663,983	6,841,327	7,280,498
<b>Total Equity</b>	<b>6,663,983</b>	<b>6,841,327</b>	<b>7,280,498</b>
<b>Current Assets</b>			
Cash and Cash equivalents	78,863	152	60,766
Trade and other receivables	68,790	68,790	68,790
	147,653	68,942	129,556
<b>Current Liabilities</b>			
Trade and other payables and accruals	105,000	105,000	105,000
Working Capital	42,653	(36,058)	24,556
<b>Non-Current Assets</b>			
Property plant and equipment	6,621,329	6,877,385	7,255,942
<b>Total Net Assets</b>	<b>6,663,982</b>	<b>6,841,327</b>	<b>7,280,497</b>

## Appendix 3: Capital Investment Plan

### Whangārei District Airport: Capital Investment Plan 22/23

Schedule	Task	Comments	Cost Est	Priority
<b>2022/23</b>				
Rescue Fire Service Operational Building and Associated Roading	CAA Requirement	Funding entirely by MoT From Budget 2022 allocation	1,840,000	HP
Tractor and mower	Grounds maintenance, airside mowing	Bring grounds maintenance inhouse to make operational savings by utilising RFS crew in downtime. Airport Safety Management considerations.	79,000	HP
Taxiway C sealing	Recoat existing taxiway seal		150,000	HP
Bird Control Drone	Bird strike management	Increasing bird problem at Airport, drone trials have demonstrated effectiveness with added reduction in fuel use over current system	6,000	HP
Carpark extension	Development - manage increased parking requirements	25% more passenger capacity will likely translate to an increase in car park revenue	150,000	HP
		<b>TOTAL 2022/23</b>	<b>\$2,225,000</b>	
<b>2023/24</b>				
Upgrade of navigation lighting	Programmed preventative maintenance	Harbour approach lighting – new sealed and integrated units	80,000	HP
Power & Capacity upgrade	Required for any further development	Increased electrical capacity required for new building developments and EV charging	50,000	HP
Apron Extension	Increased airport operations	To provide much needed improvement to infrastructure around terminal. More aircraft parking is needed, increasing visits from corporate type aircraft	700,000	HP
EV Charging facilities	Sustainability	Inevitable requirement	45,000	DEV
		<b>TOTAL 2023/24</b>	<b>\$875,000</b>	
<b>2024/25</b>				
Reform and re-seal hanger access road		Overdue for re-seal	120,000	HP
Runway edge lights	Programmed preventative maintenance	Replace with modern low maintenance units	80,000	HP
Re-seal over taxiway		Well overdue, but can delay complete reseal 12-24 months	850,000	HP
		<b>TOTAL 2024/25</b>	<b>\$1,050,000</b>	

**HP-High priority LP- Low priority Dev- Development Opportunity**

Only High Priority Capital Projects have been included in the 2022-23 Statement of Intent