

Rotorua Regional Airport Ltd

Statement of Intent

For the period 1 July 2024 to 30 June 2027



Rotorua Airport Limited

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INTRODUCTION

This Statement of Intent (SOI) is prepared by the Board of Directors of Rotorua Regional Airport Ltd (RRA) 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 RRA will be measured. It covers the three (3) years of operations from 1 July 2024 to 30 June 2027. This SOI will also have primacy over any conflicts between RRA's constitution and the SOI unless a clause of the SOI breaches the Companies Act.

OWNERSHIP & GOVERNANCE

RRA is 100% owned by Rotorua Lakes Council (RLC) and operates as a Council Controlled Organisation (CCO). RRA has an independent skills-based Board of five Directors and a Chairperson, as well as an Independent Board Advisor.

	Appointment date:	Term length:
Mr Kevin Ward (Chairperson)	9 October 2023	3 years (9 October 2026)
Ms Danielle Auld (Director)	5 March 2020	2 years (6 October 2025)
Mr Grant Lilly (Director)	26 August 2021	3 years (26 August 2024)
Mr Fred Cookson (Director)	13 April 2023	3 years (13 April 2026)
Mr Mark East (Director)	9 October 2023	3 years (9 October 2026)
Ms Marie Hosking (Director)	9 October 2023	2 years (9 October 2025)

The Board is responsible for ensuring RRA is managed in a financially responsible manner under sound governance principles and in accordance with the Local Government Act and the Companies Act.

The Board supports and implements an annual Board Observer programme for developing future leaders or business owners, with one Observer being selected each 12 months.

The board will conduct an annual evaluation of its performance.

ABOUT US

RRA is situated on the northern edge of Rotorua on the eastern shores of Lake Rotorua. It is a regional airport which facilitates air connections for locals and manuhiri (visitors) alike, whatever their reason for travel, and essential links for civil defence and emergencies. With scheduled services to Auckland, Wellington and Christchurch RRA provides critical connectivity around New Zealand and beyond. RRA is also home to a number of aviation and tourism related businesses. As at 30 June 2023 RRA's land, buildings and assets were valued at \$85.7m.

RRA was established on its current site and opened in 1964 and will be celebrating its 60th Anniversary on 3rd October 2024.

RELATIONSHIP WITH SHAREHOLDER

The RRA Board and management team are committed to engaging with the company's shareholder, Rotorua Lakes Council, both formally and informally, in an open, collaborative and constructive manner. RRA sees itself as an enabler and is here to support the common goals it shares with RLC, Rotorua NZ and the Rotorua community to support growth and prosperity.

The Board aims to ensure that the Shareholder is informed of all major developments affecting the company, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

Within this constraint, information is communicated to the Shareholder in the following ways:

- RRA Chief Executive, Chair and senior Council executives to meet on a regular basis.
- Quarterly reporting to RLC's Community and District Development Committee against the SOI's performance measures and financial forecasts.
- Delivery of signed and audited financial accounts 1 October to the RLC's Chief Financial Officer.
- Annual General Meeting (AGM) to be held within 6 months of the end of the financial year.
- Other ad-hoc reports and occasional briefings.

RLC recognises that RRA is an essential infrastructure asset for Rotorua and has a key role to play in the economic performance, growth and development of the region. As such, a separate Service Funding Agreement (SFA) has been established to assist with the ongoing Airport capital development, infrastructure maintenance and operations. This was agreed as part of the Council's 2015 Long Term Plan (LTP) process and sits alongside and in support of this SOI.

RRA and RLC are committed to updating this SFA to ensure it is fit for purpose and meets the needs of both organisations. This includes a 20 year financial forecast, with a planned debt repayment schedule, that is updated each LTP cycle.

RELATIONSHIP WITH IWI

RRA is committed to supporting Tikanga Māori and Mana Whenua through all aspects of the airport's operations and management.

RRA has a Memorandum of Understanding and meaningful relationship with Ngāti Uenukukōpako. Ngāti Uenukukōpako assert mana whenua over Rotokawa, which is where the airport is located. While recognising that other iwi and hapū are affected by the airport operations, RRA recognises Ngāti Uenukukōpako's deep ancestral connections to Rotokawa and the land underlying Rotorua Airport.

RRA also works with the Whakapoungakau 7 Māori Reservation Trusts (Reservation Trusts) (formerly known as the Ngāti Rangiteaorere Kahikatea Trust) in regard to the Kahikatea stand to the north of RRA. The Kahikatea stand is identified as a safety risk to aircraft operations as, if the trees become too tall, they can breach the Airport Obstacle Limitation Surface. Following the expiration of the previous agreement on 31 December 2022, RRA is seeking to establish a new agreement regarding the height management of the trees, which recognises the importance of RRA to the Rotorua community and the cultural and environmental significance of the Kahikatea stand.

OUR PURPOSE AND VISION

RRA's purpose is to be **"Rotorua's runway to a thriving future"**

and its vision is **"To be a uniquely Rotorua hub our community can be proud of"**.

RRA's core business is to maintain a safe and efficient Airport operation in a commercially viable manner, whilst optimising the use of its assets to facilitate and grow tourism and trade, other commercial activity, and Airport profitability. RRA is responsible for the ongoing capital development and maintenance of the Airport assets and infrastructure.

KEY PRIORITIES AND OBJECTIVES

The board and management have identified five key priorities for the airport to deliver on its vision:



Excelling Today



Ready for Tomorrow



Quality Asset Management



Stronger Together



Be financially sustainable

Critical elements in delivering the vision and realising these priorities include:

- A continuous improvement culture that embraces best practice Safety Management System, compliance and aeronautical practices
- Future ready capability that seeks to adopt emerging aviation technologies and adapt with climate change
- Plan and maintain assets to a high standard including a mature asset management system with maintenance, renewals and clear future financial forecasting
- Deliver value from people, partnerships and customer experience and drive positive community outcomes
- Drive commercial success and reduce the financial reliance on RLC by unlocking under-utilised airport land and growing non-aeronautical revenue

RRA has identified the FY25 initiatives that will enable it to deliver on this vision and objectives. The high-level strategic plan outlining these initiatives can be found in **Appendix 1**.

RRA will also seek, assess and, where appropriate implement, commercial opportunities to diversify RRA's revenue streams and deliver on its key priorities. RRA acknowledges that some initiatives may require RLC support. The Board remains open to strategic land purchases that align with the Rotorua Airport Property and Investment Framework.

CAPITAL EXPENDITURE

RLC transferred all Airport assets to RRA in February 2016. A programme of capital improvements has been established and is ongoing.

The capital improvements programme, which relates to operational assets and airport infrastructure, is updated on an annual basis and likely future spend is also identified in the 20-year forecast. This reflects the nature of RRA's business as an owner of significant infrastructure assets that must be maintained to meet its obligations under the Airport Authorities Act 1996, the Civil Aviation Act 1990, and the Civil Defence and Emergency Act 2002. All assets are well managed to ensure maximum life span and replacement as and when required.

The cost of aeronautical capital expenditure is recovered through aerodrome charges levied to both regular passenger service operators and general aviation. An established framework is in place to review and reset these charges regularly and considers the cost of building, delivering and maintaining aeronautical infrastructure, assets and services.

Capital expenditure is funded out of airport cashflow wherever possible. However, from time to time, there will be essential large scale capital expenditure requiring debt funding. Planned capital expenditure and likely required borrowing is included in the 20-year forecast (and the Statement(s) of Intent for the relevant time period). RRA will work on the basis that this borrowing, given it is critical to maintaining and operating a safe airport which is fit for purpose for Rotorua, is pre-approved and will be included in RLC's long term plan.

A total CAPEX budget for the three (3) year period of **\$6,402,500** has been allowed in financial forecasts as follows:

	FY25	FY26	FY27
Airside Infrastructure & Projects	\$600,000	-	\$3,000,000
Landside Infrastructure & Commercial	\$1,025,000	\$50,000	\$50,000
Operational Efficiency & Improvements	\$960,000	\$617,500	\$100,000
TOTAL	\$2,585,000	\$667,500	\$3,150,000

Note: FY25 and FY26 Operational Efficiency & Improvements includes part payment of a replacement fire appliance

RRA will from time to time, require additional funding for significant projects. Should RRA require additional debt funding to deliver a project, RRA will present a board approved business case to RLC to approve the increase in debt.

The board and management are mindful that we are in a period of fast changing technology which may alter the way the airport is required to operate over time. RRA continues to work closely with our aviation and other partners to stay well informed about developments. RRA will build required changes into the master plan and capital expenditure budgets to ensure RRA is prepared for the future.

PERFORMANCE MEASURES

The following table outlines RRA's anticipated financial performance for the three (3) year period ending 30 June 2027, and the performance measures it will be assessed against. These measures and forecasted performance are based on the following key assumptions:

- That Air New Zealand will continue to operate regular passenger services to Auckland, Wellington and Christchurch.
- No further material external or internal economic shocks impacting business and aviation resulting from COVID-19 or any other un-forecast significant event.
- New Zealand GDP tracks to the current consensus of economic forecasts.
- The continuation of the RLC and BNZ Loan Facilities.
- No material movement in the fair value assessment of the airport land and buildings.
- Implementation of the Service Funding Agreement with RLC (SFA) in accordance with the Long-Term Plan.

	FY19 Actuals (pre COVID)	FY23 Actuals	FY25	FY26	FY27
a. Aircraft					
Aircraft movements (note 1)	7,498	4,614	5,487	5,487	5,546
b. Passengers					
Domestic (note 2)	265,443	219,948	243,328	249,112	254,889
c. Financial					
Aeronautical Revenue (note 3)	\$1,660,351	\$3,055,734	\$4,771,986	\$5,260,713	\$4,905,323
Non-Aeronautical Revenue	\$1,270,064	\$1,550,078	\$1,661,881	\$1,679,389	\$1,712,618
Service Funding Agreement (note 4)	\$2,563,020	\$2,321,712	\$1,800,000	\$1,800,000	\$1,800,000
Total Revenue	\$5,493,435	\$6,927,524	\$8,233,867	\$8,740,102	\$8,417,941
Operating expenses	\$1,202,333	\$1,727,368	\$2,278,899	\$2,682,962	\$2,099,414
Overheads	\$1,336,550	\$1,773,184	\$2,271,050	\$2,351,293	\$2,358,677
Interest	\$514,956	\$506,904	\$438,620	\$369,180	\$299,740
Total Expenses (excl Depreciation)	\$3,053,839	\$4,014,957	\$4,988,569	\$5,403,435	\$4,757,831
Net Surplus (before Depreciation)	\$2,439,595	\$2,912,567	\$3,245,298	\$3,336,667	\$3,660,110
Depreciation	\$2,219,905	\$1,654,017	\$2,178,761	\$2,243,565	\$2,310,313
Net Surplus / Loss (after Depreciation & before tax) (note 4)	\$219,690	\$1,258,550	\$1,066,537	\$1,093,102	\$1,349,797
Capital expenditure	-	\$231,052	\$2,585,000	\$667,500	\$3,150,000
Shareholders' funds to total assets (note 5)	-		75%	77%	78%
d. RRA Term Borrowings (with LGFA via RLC)					
As at 30 June (note 5)	\$14,400,000	\$12,550,000	\$9,750,000	\$8,350,000	\$6,950,000
e. Aviation Compliance					
RRA has a current Part 139 Operating Certificate (note 7)			Yes	Yes	Yes
f. Legal Compliance					
5 year compliance calendar					Provided with quarterly reporting
g. Asset Management					
High-level Asset Management Plan to RLC					By 30 June, each year

Note 1: The following assumptions have been made in the forecasting of passenger numbers and flight movements, and consequently revenue:

- Passenger number forecasts, as per advice from Air NZ, assume there is no capacity growth in FY25-26 and low organic growth in FY27.
- Passenger growth is therefore constrained by seat factors which are capped at 87%.
- Assumes underlying travel demand will continue at current levels.
- Assumes current capacity constraints are limiting demand and drop in traffic due to economic conditions will be backfilled by unmet demand.

Note 2: Aeronautical revenue is subject to variation based on the movement of interest rates and WACC.

Note 3: The Service Funding partially offsets depreciation (of infrastructure and buildings), interest and debt repayment.

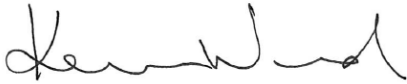
Note 4: Due to the availability of a group loss offset from RLC, the provision for taxation has been excluded in the financial forecast.

Note 5: Total assets represent the RRA's total assets, both intangible and tangible. Shareholders' funds represent net equity of the shareholder. This includes issued share capital, capital reserves and retained earnings. There is currently no intention to distribute any of these funds to the shareholder.

Note 6: The debt came from the purchase of the Airport Assets in 2016, the original RLC debt value was \$18,400,000, which was reduced to \$15,000,000 during FY16. At this time, the company took on, and continues to have, a customised average rate loan (CARL) from BNZ of up to \$3,400,000 (please note this debt facility is not fully utilised and the balance varies throughout the year). Debt Repayment profile is as per this SOI.

Note 7: The current Part 139 Operating Certificate is valid until 29th February 2029.

SIGNATORIES

Chairperson – Rotorua Regional Airport Ltd	Chief Executive – Rotorua Regional Airport Ltd
	
Kevin Ward	Nicole Brewer
Date: 13 June 2024	Date: 13 June 2024

APPENDIX 1

The following workplan summarises RRA's priorities for its core business and strategic projects for FY25:

OUR PURPOSE ROTORUA'S RUNWAY TO A THRIVING FUTURE				
OUR VISION TO BE A UNIQUELY ROTORUA HUB OUR COMMUNITY CAN BE PROUD OF				
 EXCELLING TODAY <i>Continuous Improvement Culture</i>	 READY FOR TOMORROW <i>Future Ready Capability</i>	 QUALITY ASSET MANAGEMENT <i>Plan & maintain assets to a high standard</i>	 STRONGER TOGETHER <i>People, Partnerships and Experience</i>	 BE FINANCIALLY SUSTAINABLE <i>Commercial Success</i>
Key Targets FY27 • Best practice SMS & compliance • Optimise aeronautical practices • Mature and robust systems • Embedded sustainability culture • Achieving carbon reduction	Key Targets FY27 • Embrace future ready capabilities • On track to adopt emerging aviation technologies and standards • Adapting with climate change • Future proofing facilities	Key Targets FY27 • Mature asset management system including maintenance, renewals and clear future financial forecasting • Meeting asset management plan targets • Agile and open to innovation	Key Targets FY27 • High performing team • Drive positive community outcomes • Extend our manaakitanga	Key Targets FY27 • Unlock under-utilised airport land • Reduce financial reliance on RLC • Grow non-aeronautical revenue • Optimise and grow existing revenue streams
FY25 Initiatives • Tree management programme • Review necessity of turning beacon and CGL • Audit schedule in place • OneReg scheduling with reminders • Compliant airside signage installation complete • Security system upgrade • Implement sustainability action plan • Level 1 Airport Carbon Accreditation (ACA)	FY25 Initiatives • Understand and work towards SBAS requirements • Plan for ICAO OLS global project • Airfield lighting roadmap • Generator for EOC and terminal • BCP implemented • Southern GA fuel area • Climate Resilience Airside Swale	FY25 Initiatives • Fully implement OneReg asset management module • Maintenance plan for RRA owned assets • Renew tractor shed • Car park hardware renewal • Gate 5/6 refresh • Investigate AI pavement condition scanning • Carpark/apron lighting strategy • Review EOC Fire protections	FY25 Initiatives • Performance management framework • Industrial Brigade • Mobile training prop for ARFF • Business After 5 • 60th Anniversary celebrations • ITO market survey • CHC-ROT development plan • Airport entrance refresh • Terminal enhancement • Terminal furniture upgrade part 1	FY25 Initiatives • Airport Business Park staging strategy • HOA with at least one anchor tenant for Business Park • Stage 1a business case • Reset SFA with RLC • Solar farm investigation • Explore airport management opportunities