Rotorua Regional Airport Ltd

Statement of Intent

For the period 1 July 2025 to 30 June 2028

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 2025 to 30 June 2028. 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	extended to 6 October 2026
Mr Grant Lilly (Director)	26 August 2021	3 years (26 August 2027)
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	renewed to 9 October 2028

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 is mindful of succession planning and will work with RLC, as shareholder, to ensure an appropriate spread of skills and experience is maintained. The Board also 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 2024 RRA's land, buildings and assets were valued at $88.1m.

CURRENT OPERATING ENVIRONMENT

The domestic New Zealand aviation market is currently a challenging one. Airlines are facing increased costs, skilled labour shortages and supply chain disruptions. Coupled with a downturn in demand, primarily in government and domestic leisure travel, airline profitability is a real challenge. In addition, Air New Zealand has an aging fleet which has caused reliability issues across the network. While Air New Zealand are trying hard to solve these challenges, the poor reliability and reduced schedule has impacted demand from business travellers in Rotorua.

While airports operate on a cost recovery revenue model, they are a part of the domestic aviation ecosystem and must remain mindful of their customers challenges when making cost and price setting decisions.

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.

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 FY26 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**.

At an operational level RRA is focussed on maintaining a safe operation and ensuring the surrounding airspace is free of obstacles, including trees and vegetation. To deliver this objective RRA works in collaboration with the Whakapoungakau 7 Māori Reservation Trusts (Reservation Trusts) in regard to the Kahikatea stand to the north of RRA and other neighbours.

As well as continuing to explore new airline and business partnerships, 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.

PROPOSED AIRPORT BUSINESS PARK

RRA continues to explore the development of an airport business park to support long-term prosperity for both the organisation and the wider Rotorua community.

Working in partnership with Ngāti Uenukukōpako and key stakeholders, RRA undertook two streams of work; firstly to understand the broader Eastside context, and secondly to define the objectives of the proposed business park and how it could enhance outcomes for Eastside and Rotorua as a whole.

Following this, RRA's Management and Board completed a feasibility study and, in late 2024 developed a Staging Strategy designed to support sustainable growth while managing risk and cost.

As part of the ongoing planning process, RRA will undertake further consultation with Ngāti Uenukukōpako, including the descendants of the original landowners, and the wider Rotorua public before any final decisions are made.

This initiative presents a significant opportunity to support the airport's financial capability, attract new aviation and aviation related businesses (as well as support the growth of existing ones), and further strengthen RRA's role as a key economic driver for the region.

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 can be recovered through aerodrome charges levied to both regular passenger service operators and general aviation. There is an established framework in manage this subject to commercial assessment.

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 **$6,427,500** has been allowed in financial forecasts as follows:

	FY26	FY27	FY28
Buildings and Fitout	$50,000	$50,000	$475,000
Plant, Equipment & Vehicles	$1,552,500	$2,975,000	$625,000
Infrastructure	$700,000	$0	$0
TOTAL	**$2,302,500**	**$3,025,000**	**$1,100,000**

Note 1: FY26 Plant, Equipment & Vehicles includes part payment of a replacement fire appliance.
Note 2: Some capital expenditure items from FY25 have been moved into FY26.
Note 3: Capital Expenditure for the Airport Business Park is not included.
Note 4: Does not include solar project which is under consideration.

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 2028, 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 material external or internal economic shocks impacting business and aviation resulting from an 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)	FY24 Actuals	FY26	FY27	FY28
a. Aircraft **Aircraft movements (note 1)**	7,498	5,464	5,364	5,492	5,624
b. *Passengers* **Domestic (note 1)**	265,443	227,356	182,881	186,583	210,531
c. Financial					
Aeronautical Revenue (note 2)	*$1,660,351*	*$4,008,165*	4,964,943	5,153,108	6,243,805
Non-Aeronautical Revenue	*$1,270,064*	*$1,597,449*	1,486,031	1,522,769	1,522,731
Service Funding Agreement	*$2,563,020*	*$2,150,000*	1,800,000	1,800,000	1,800,000
Total Revenue	*$5,493,435*	*$7,755,614*	8,250,974	8,475,877	9,496,537
Operating expenses	*$1,202,333*	*$1,867,388*	2,842,612	3,216,608	2,342,160
Overheads	*$1,336,550*	*$1,945,262*	2,301,217	2,322,762	2,369,217
Interest	*$514,956*	*$466,824*	353,460	284,020	228,035
Total Expenses (excl Depreciation)	*$3,053,839*	*$4,278,474*	5,497,289	5,823,389	4,939,412
Net Surplus (before Depreciation)	*$2,439,595*	*$3,477,140*	2,753,685	2,652,488	4,557,125
Depreciation	*$2,219,905*	*$2,025,360*	2,547,492	2,623,701	2,702,191
Net Surplus / Loss (after Depreciation & before tax) (note 3)	*$219,690*	*$1,451,780*	206,193	28,787	1,854,934
Capital expenditure	-	$932,896	$2,302,500	$3,025,000	$1,100,000
Shareholders' funds to total assets (note 4)	-		77%	78%	81%
d. RRA Term Borrowings (with LGFA via RLC) As at 30 June (note 5)	$14,400,000	$11,150,000	$9,750,000	$8,350,000	$6,950,000
e. Aviation Compliance **RRA has a current Part 139 Operating Certificate (note 6)**			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 December, each year				

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

- Passenger numbers are based on Air NZ forecast capacity at this point in time. The growth in FY28 assumes Air NZ capacity challenges are resolved.

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

Note 3: Due to the availability of a group loss offset from RLC, the provision for taxation has been excluded in the financial forecast.

Note 4: 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 5: 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, and in line with the RLC's LTP.

Note 6: The current Part 139 Operating Certificate is valid until 29th February 2029.

SIGNATORIES

Chairperson – Rotorua Regional Airport Ltd Kevin Ward	Chief Executive – Rotorua Regional Airport Ltd Nicole Brewer
Date: 18 June 2025	Date: 18 June 2025

APPENDIX 1

The following workplan summarises RRA's priorities for its core business and strategic projects for FY26:

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
Continuous Improvement Culture

Key Targets FY28

- Best practice SMS & compliance
- Optimise aeronautical practices
- Mature and robust systems
- Embedded sustainability culture

FY26 Initiatives

- Compliant to BOPRC Industrial Audit
- Aircraft washpad
- Solve southern GA taxiway safety issue
- Mature tree management system
- Reduce take off minima (part 2)
- Implement crane map
- Utility area
- Terminal lunchroom

READY FOR TOMORROW
Future Ready Capability

Key Targets FY28

- Embrace future ready capabilities
- On track to adopt emerging aviation technologies and standards
- Adapting with climate change
- Future proofing facilities

FY26 Initiatives

- IFP protection surfaces
- Supplement OLS protection in DP
- Aeronautical information management roadmap
- Climate Resilience Airside Swale
- Airport registration

QUALITY ASSET MANAGEMENT
Plan & maintain assets to a high standard

Key Targets FY28

- Mature asset management system including maintenance, renewals and clear future financial forecasting
- Meeting asset management plan targets
- Agile and open to innovation

FY26 Initiatives

- Acquire AGL
- AGL replacement/maintenance plan
- Car park hard/software renewal
- Carpark lighting upgrade
- Land management plan
- Baggage belt upgrade (part 1)
- Terminal engineering review

STRONGER TOGETHER
People, Partnerships and Experience

Key Targets FY28

- High performing team
- Drive positive community outcomes
- Extend our manaakitanga
- Strong stakeholder relationships
- Strengthen air vonnectivity

FY26 Initiatives

- Iwi engagement strategy
- Implement bylaws
- ROTZQN business case
- Investigate lease management system
- Full Communications Plan

BE FINANCIALLY SUSTAINABLE
Commercial Success

Key Targets FY28

- Unlock airport land
- Reduce financial reliance on RLC
- Grow non-aeronautical revenue
- Optimise and grow existing revenue streams

FY26 Initiatives

- Reset SFA with RLC
- Solar viability assessment
- Solar business case
- HOA with anchor tenant
- Stage 1a business case
- Stage 1a procurement process underway
- 7 Alfred Road feasibility

ROTORUA AIRPORT