



# Whakatāne Airport Statement of Intent

*For the Period 1 July 2018  
to 30 June 2019*



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# Statement of Intent

*for the Period 1 July 2018 to 30 June 2019*

**The Whakatāne Airport is a Council-controlled organisation (CCO) under the Local Government Act 2002. It was formed as a CCO in 2006. The Whakatāne Airport is a valued community asset, which contributes to residents' quality of life and is considered crucial to the economic well-being of the District, as it provides an important transportation link to other parts of the country.**

Planning for an aerodrome was initiated by the Whakatāne County and Borough Council's in 1944, but it was not until 1960 that it was officially opened. A sealed airstrip was completed a few years later in 1962 to provide adequate services for the larger DC3 aircraft. Today, daily scheduled services are provided to and from Auckland.

This statement is submitted by the partners of the Whakatāne Airport Authority in accordance with section 64 of the Local Government Act 2002. It sets the overall intentions and objectives of the Joint Venture for the period 1 July 2018 to 30 June 2019.

The airport is operated under a Joint Venture agreement between the Whakatāne District Council and the New Zealand Government established under the Airport Authorities Act (1966). The Joint Venture is a deemed company under the Income Tax Act (2004).

Air Chathams is the commercial flight service provider for the Whakatāne Airport. Air Chathams provides regular daily return services to and from Auckland using their Metroliner SA-227 19 seat aircraft. They also operate themed scenic flights in their historic DC3 on weekends during the summer period.

In addition to Air Chathams service, Sunair also offer scheduled passenger flights from Whakatāne Airport to Gisborne, Napier and Hamilton using their Piper Chieftain and Aztec Aircraft.

The Airport Operational tasks are delivered by a service contract with JNP Aviation, who are also responsible for delivering the ground handling operations for Air Chathams at the Airport Terminal.

# 1. DEFINITIONS

“JV” means Joint Venture between the Crown and Council.

“CCO” means the Whakatāne Airport Authority, being a Council Controlled Organisation.

“Council” means the Whakatāne District Council.

“Crown” means the New Zealand Government.

“CAR” means Civil Aviation Rule.

# 2. OBJECTIVES

The JV’s primary objectives are to:

- Provide high quality facilities and services commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations in line with the size of Whakatāne Airport.
- Operate the airport in a sound and business-like manner.
- Ensure that the airport is administered efficiently, effectively and safely to the benefit of scheduled flight operations, commercial operators and recreational users.
- Improve the long term value and financial performance of the airport.
- Promote a safe, accessible, affordable and reliable air transport system for the Eastern Bay of Plenty region.

# 3. GOVERNANCE

The JV partners have different responsibilities for the governance of Whakatane Airport. The Council manages the day-to-day operation of the airport. The Crown has an ownership interest, a monitoring role, and shares the commercial and capital costs associated with airport.

# 4. NATURE AND SCOPE OF ACTIVITIES

The airport provides a range of services, both aeronautical and non-aeronautical. Aeronautical services are those that directly assist in the take-off and landing of aircraft. Non-aeronautical are all other activities.

## 4.1 *Aeronautical Services*

The airport provides a range of services supporting the safe arrival and departure of aircraft and passengers. Primarily these relate to physical assets and the services around ensuring their collective safety and fitness for purpose.

### **Runways, taxiways and aprons**

The sealed 1,280 metre runway, taxiways and aprons are adequate to meet the take-off and landing requirements of Air Chathams’ and Sunair current fleet of aircraft; and the requirements of other commercial and recreational operators.

Due to the recent Supreme Court case between the Wellington International Airport Limited V New Zealand Air Line Pilots’ Association Industrial Union of Workers Incorporate and Director of Civil Aviation and the subsequent ruling to uphold the decision to require 240m runway end safety areas, the following Aerodrome Limitation was added to the Part 139 Approval Specification.

*“Whakatāne aerodrome is not approved to serve an aeroplane having a certified seating capacity of more than 30 passengers that is engaged in regular air transport operations for the carriage of passengers”.*

Therefore, in order to enable planes of 30 seats or more (the planned SAAB 340 aircraft) to land at the Whakatane Airport and to maintain our CAA Part 139 Airport Certification the Director of Civil Aviation requires Whakatane Airport to extend its Runway End Safety Area’s (RESA) from the current 90m to 240m at either end of the runway.

This work needs to be carried out as quickly as possible and the Business Case for funding is with the Ministry of Transport for approval.

## **Grass runway**

The existing grass runway is expected to be adequate to meet the current and future needs of both resident and visiting light fixed wing aircraft (which are also capable of using the sealed runway). The limitation of the grass runway is that it does not have the required separation from the main sealed runway to permit simultaneous operation of both runways.

## **Aircraft parking**

Sealed apron space is provided directly in front of the terminal and is used primarily by scheduled services. Floodlighting is provided on the Terminal Apron.

## **Approach services**

There are a range of infrastructural assets which include runway perimeter lights, windsocks, emergency power supply, Pilot Activated Lighting system (PAL) and Abbreviated Precision Approach Path Indicator (A-PAPI) lights.

## **Fuel services**

Whakatāne Airport has adequate storage facilities for fuel for existing requirements. The services are provided by BP Oil NZ Ltd. and Airfuels.com Ltd.

## **4.2 Non-Aeronautical Services**

Non aeronautical services are services that support activities on the aerodrome.

### **Terminal facilities**

The terminal building has an existing ground floor area of 249 m<sup>2</sup>. There is provision for one primary airline check-in facility and this is currently leased to Air Chathams.

### **Lease of airport land and buildings**

Land surplus to the airport's present operational requirements is leased for grazing and a recently established Manuka growing operation. Areas of the terminal building are leased for activities compatible with the operation of the airport. Lease of airport land is also available to commercial operators and associated industry.

### **Car parking services**

A large car parking space is provided free of charge at the Whakatāne Airport (approximately 80 spaces, including six set aside for rental vehicles).

## **5. RATIO OF JOINT VENTURE PARTNERS FUNDS TO TOTAL ASSETS**

- For the year ended 30 June 2017, consolidated shareholders' funds as a ratio to total assets was 0.58. Per the JV's Annual Report 2017, consolidated funds were \$1.353 million and total assets \$2.310 million.
- The consolidated funds include: Capital, Reserve Funds and Current Accounts.
- The minimum equity ratio to total assets shall not be less than 0.5 therefore ensuring the airport authority remains financially viable, unless with agreement by the JV partners and Council.

## **6. ACCOUNTING POLICIES**

The Statement of accounting policies for the six months ended 31 December 2017 is attached in Appendix 1.

## 7. PERFORMANCE TARGETS

### 7.1 Financial performance measures and targets

Operate and maintain the airport's assets within the following operational expenditure and capital expenditure budgets (excluding corporate overheads and depreciation).

Financial performance measures and targets provided are based on the flight services at the time of preparing the Statement of Intent.

OPERATIONAL EXPENDITURE	2017/18	2018/19	2018/19
	SOI	LTP	Draft SOI
Income (excluding interest and general rates)	246,798	267,258	204,800
Expenditure (excluding corporate overheads and depreciation)	281,006	283,837	354,144
<b>Surplus (Deficit)</b>	<b>(34,208)</b>	<b>(16,579)</b>	<b>(149,344)</b>

*The increase in Operating costs for the draft SOI (AP) is due to increased contract costs for JNP operational management, increase in insurance premiums (following the April Cyclone event), increased expectation for maintenance and repairs costs and interest. This increase is partially offset by the removal of salary expenditure.*

*Income budgeted has been reduced in line with revised expectations around passenger numbers and rental and lease income achievable.*

CAPITAL EXPENDITURE	2017/18	2018/19	2018/19
	SOI	LTP	Draft SOI
Runway End Safety Area (RESA)	-	-	250,000
Runway Renewals	-	-	214,064
Pavement Resurfacing	-	100,000	-
Whakatāne Airport Terminal Renewal	10,000	6,250	-
<b>TOTAL</b>	<b>10,000</b>	<b>106,250</b>	<b>464,064</b>

### 7.2 Non-financial performance measures and targets

MEASURE	KEY PERFORMANCE INDICATOR	TARGET
The Airport is maintained to Civil Aviation Authority (CAA) requirements	The Airport is maintained as a CAR Part 139 Certificated aerodrome in accordance with CAA aerodrome design for all aircraft undertaking Air Transport Operations and aircraft above 5,700 kg Maximum Combined Take-Off Weight (MCTOW)	Certification status is maintained.

## 8. DISTRIBUTIONS TO JOINT VENTURE PARTNERS

Appropriations will be made annually to reserves to provide for future renewals and upgrading of facilities. Annual surpluses or deficits will be transferred to a current account. The current account will have an appropriate minimum amount specified to cover short-term operating deficits. If the current account balance exceeds the amount necessary to cover short to medium term operating deficits the joint partners will consider whether a distribution of some of the surplus is warranted. Any distribution to the joint venture partners would be in proportion to the respective equity holdings.

## 9. INFORMATION TO BE SUPPLIED

The following reports will be supplied to the joint venture partners within two months after the end of the first half of each financial year and within three months of the end of each financial year:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Performance Compared to Targets
- Other statements as may be required by legislation or to comply with Generally Accepted Accounting Practice (GAAP)

## 10. PROCEDURE FOR ACQUISITION OR SALE OF SHARES AND PROPERTY

Before the JV subscribes for, purchases or acquires shares in any other company, or acquires any interest in any business or property whatsoever, the JV shall give at least 21 days' notice to Council and, in turn the Crown, of such proposals prior to the JV deciding whether or not to proceed.

The JV shall not proceed to purchase without an ordinary resolution first being completed by Whakatāne District Council.

## 11. COMPENSATION

Other than normal business transactions provided to Whakatāne District Council there are no activities for which the JV will be seeking compensation from any local authority.

## 12. COMMERCIAL VALUE

The JV partners' estimate of the commercial value of their investments is equal to the net assets of the JV being \$1.353 million.

## 13. OTHER MATTERS

- The JV operates in accordance with the Joint Venture agreement at all times.
- A Master Plan has been developed to be used as a reference guide for long term strategic planning purposes by the JV partners.
- A Ten Year Business Plan for Whakatāne Airport for the period of 2012-22 has been adopted by the Council. This plan provides a strategic framework for the Airport, identifies opportunities for growth and development, and outlines a set of actions to support its future capacity.





**WELCOME TO WHAKATĀNE**  
Gateway to White Island / Whakaari



APPENDIX ONE

# Statement of Accounting Policies

## 14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

## 15. ENTITIES REPORTING

The financial statements are for Whakatāne Airport, which is a 50:50 joint equity venture between the Council and the Crown.

The primary objective of Whakatāne Airport is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Whakatāne Airport has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Whakatāne Airport are for the six months ended 31 December 2017.

## 16. BASIS OF PREPARATION

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Whakatāne Airport has taken advantage of certain exemptions available under NZ IFRS.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. Some rounding variances may occur in the Finance Statements due to the use of decimal places in the underlying financial data. The functional currency of Whakatāne Airport is New Zealand dollars.

## 17. STATUTORY BASE

Whakatāne Airport is a Council Controlled Organisation (CCO) registered under the Local Government Act 2002. This Act requires compliance with New Zealand Generally Accepted Accounting Practice (GAAP). The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

## 18. DIFFERENTIAL REPORTING

The Whakatāne Airport is a qualifying entity within the Framework of Differential Reporting. The Airport is able to apply differential reporting exemptions as it meets the criteria of a differential entity because:

- (a) the Airport is not publicly accountable;
- (b) the Airport is not large.

All differential reporting exemptions have been taken advantage of.

## 19. HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention. The Whakatāne District Council will continue to provide the necessary support to enable the Whakatāne Airport Joint Venture to pay its liabilities as they fall due, including providing funds through the District Fund Account.

## 20. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Whakatāne Airport's accounting policies.

No material estimates were required this accounting period.

## 21. REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts. All revenue is recognised when earned.

## 22. RENTAL REVENUE

Rental revenue is recognised in the period that it relates to.

## 23. INTEREST INCOME

Interest income is recognised on a time-proportion basis using the effective interest method.

## 24. INCOME TAX

The Income 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.

## 25. GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST. Commitments and contingencies are disclosed exclusive of GST.

## 26. LEASES

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

## 27. IMPAIRMENT OF ASSETS

Items of property, plant and equipment and intangible assets with finite useful lives are reviewed at each balance date to determine whether there is any indication that the asset might be impaired. Where such an indication exists, the asset is tested for impairment by comparing its carrying value to its recoverable amount. Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill are tested for impairment annually. 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 assets fair value less costs to sell and its value in use. Where the future economic benefits of the asset are not primarily dependent on its ability to generate net cash inflows, and where Whakatāne Airport would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## 28. CURRENT ACCOUNT

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Investments held are recorded at cost price. The bank account is held by Whakatāne District Council as part of its General Funds.

## 29. RECEIVABLES

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that Whakatāne Airport will not be able to collect all amounts due according to the original terms of 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 at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

## 30. INVESTMENTS AND OTHER FINANCIAL ASSETS

### *30.1 Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Whakatāne Airport provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

### *30.2 Property, plant and equipment*

Property, plant and equipment consist of operational assets, which include land, buildings, plant & equipment and furniture & fittings. Items of property, plant and equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

All property, plant and equipment is shown at cost less depreciation and impairment costs. Cost includes expenditure that is directly attributable to the acquisition of the items. 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 Whakatāne Airport and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The expected lives, in years, of major classes of fixed assets are as follows:

OPERATIONAL ASSETS:	YEARS	METHOD
Airport Runways, Taxiways and Apron	50	Straight Line
Building	50	Straight Line
Water Supply	100	Straight Line
Plant & Equipment	10	Diminishing Value
Furniture & Fittings	5	Diminishing Value
Fence	5-10	Diminishing Value

The Airport land is vested in the Council under the Reserves Act 1997 for use as an Airport. The Airport holds the land "in substance" and is shown at the value at the date of vesting. Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

## 31. INTANGIBLE ASSETS

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

## 32. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to Whakatāne Airport prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

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