

## REDEVELOPMENT OF TAUPŌ AIRPORT

### Project overview

<b>Name of the project</b>	Redevelopment of Taupō Airport
<b>Region</b>	Waikato
<b>Tier and type</b>	Tier 1: Regional
<b>Applicant</b>	Taupō District Council (TDC) Ministry of Transport (MOT)
<b>Estimated total project cost</b>	\$ <small>Commercial Information</small>
<b>Amount of funding sought from the PGF</b>	\$ <small>Commercial Information</small>
<b>Financial instrument requested</b>	Grant
<b>PDU recommendation</b>	<b>Decline</b> <small>Note that funding for this project was subsequently approved</small>

211. TDC and MOT are seeking \$ Commercial Information of PGF funding to upgrade and redevelop Taupō Airport's terminal, aircraft apron and adjacent carpark. The project will increase the capacity and capability of Taupō Airport's facilities, improve visitor experience and ensure the future financial sustainability of the Taupō Airport Authority (TAA).
212. Taupō Airport is a gateway to the Central North Island and is essential for the connectivity and resilience of the Taupō District. It is a key transport hub and strategic asset, supporting the District's tourism and business activity. However, the Airport's terminal, aircraft apron and carpark are not fit-for-purpose and limit the region's tourism opportunities and potential for growth.
213. For the Central North Island to accommodate current and forecasted visitor numbers, the airport must be upgraded and redeveloped. The Taupō Airport terminal is not large enough to comfortably service passengers on the larger 50 seat aircraft (the Bombardier Q300 aircraft used on Air New Zealand's Auckland/Taupō route) and **Commercial Information** Commercial Information. The building is also considered a medium life safety risk and it has been advised seismic strengthening should be undertaken. The terminal's current layout does not allow for the provision of security screening, should this be a requirement in future. There is also insufficient car parking space to accommodate current use and the existing apron is constrained, with demand for aircraft parking by airlines and private jet operators growing.
214. Historically, Taupō Airport has seen an average of Commercial Information passengers per annum (2008-2018), with Commercial Information and Commercial Information passengers in 2017 and 2018, respectively. Increasing

demand has resulted in Air New Zealand indicating its intention to introduce services between Taupō and Auckland on the larger 68 seat ATR aircraft. Although this will catalyse economic activity and enable further investment and economic opportunities in the Central North Island, the Taupō Airport terminal is currently not large enough to service this expected increase in passengers and the aircraft apron will need to be extended to accommodate the larger aircraft.

215. The need to increase the capacity of the Airport and its expected benefits has led to this project being considered a regional priority. The Taupō District Economic Strengthening Strategy identifies the development of the airport precinct as a catalyst project. Similarly, the Bay of Connections' Regional Tourism Strategy 2018 classifies this project as a critical and urgent priority.
216. Construction is set to commence in **Commercial Information** with completion of the redevelopment scheduled for the beginning of **Commercial Information**.

*PDU recommendation*

217. The PDU recommends that you **decline** \$ **Commercial Information** grant funding from the PGF towards the Redevelopment of Taupō Airport on the basis that:
- a. It lacks alignment with the PGF investment principles in regional airports, including:
    - i. The funding request at \$ **Commercial Information** exceeds the proposed maximum funding of \$5 million agreed by Ministers for any one airport.
    - ii. It isn't located in a surge region. However, the PDU acknowledges Taupō Airport services Ruapehu in Manawatū-Whanganui (although, this investment will not provide certainty of access to markets, noting that travelling to Ruapehu from Taupō Airport is a substantial drive; 1 hr 20 to National Park and 1hr 45 to Ohakune).
    - iii. An alternative airport exists. Rotorua Airport is 65 minutes' drive from Taupō, which places it on the threshold of distance for consideration for PGF funding (the upper distance is 60 minutes' drive between regional airports).
    - iv. Taupō is not vulnerable to accessibility issues caused by severe weather events or poor roads. As such, investing in Taupō Airport's redevelopment will not substantially improve assurance of accessibility.
  - b. The Crown is a 50 percent owner of Taupō Airport through a Joint Venture arrangement with TDC. The Minister of Transport, is responsible on behalf of the Crown for the Airport and MOT manages this arrangement on his behalf. **Free and frank opinions**  
**Commercial Information**

218. While the PDU recognises this project's potential to increase productivity and considers it a regional priority, **Free and frank opinions**  
**Commercial Information**

219. The requested funding at \$ **Commercial Information** exceeds the proposed maximum investment of \$5 million as outlined in the PDU's regional airport investment position paper. However, Taupō Airport meets some key principals of the position paper, namely:
- It is a strong fit with region's economic development priorities;
  - It is identified as a priority for sectors in the region; and
  - Provides certainty about connection to markets.

## Financial Assessment

220. \$Commercial Information of PGF grant funding is being sought. The total project value is \$Commercial Information and \$Commercial Information of co-funding has been set aside in the Taupō District Council's Long Term Plan (LTP) 2018-2028.

221. The project's estimated costs are:

- \$Commercial Information to upgrade the terminal
- \$Commercial Information to upgrade car parking facilities
- \$Commercial Information to upgrade the aircraft apron.

222. Commercial Information

[Redacted content]

Commercial Information

[Redacted content]

## PDU assessment of the project

224. This section provides an overview of PDU's assessment against the PGF eligibility and assessment criteria.

### Assessment against PGF criteria

Criteria	Rating (1✓ to 5✓)	Comment
<i>Link with fund and government outcomes</i>		
<b>Creates permanent jobs</b>	✓✓✓	<p>The project will employ approximately Commercial Information workers during the construction stage of the project. Once operational, the project will directly create Commercial Information FTE at the airport. There is potential for further job creation through additional retail/hospitality space at the airport.</p> <p>The increased number of flights will enable greater visitor number, resulting in tourism growth and new opportunities</p>

Criteria	Rating (1✓ to 5✓)	Comment
		including the provision of pleasure/scenic flights and skydiving.
<b>Delivers benefit to the community</b>	✓✓✓	Commercial air services are important to the economic growth and quality of life in rural and low population towns. Air New Zealand currently operates a twice daily service aboard its Bombardier Q300 (50 seats) aircraft on the Auckland-Taupō route. A redeveloped airport will provide Air New Zealand with a quality infrastructure in the Central North Island to expand its service.
<b>Increased utilisation and returns of Māori asset base</b>	✓✓	<p>Following the recent settlement of Ngāti Tūwharetoa's treaty claim, there is a tangible opportunity to enhance the economic opportunity for Māori through the development of the airport. Taupō and the surrounding towns in the Central North Island are rich in Māori culture and experiences, showcasing something unique to this region of New Zealand.</p> <p>Iwi have been involved through the District Economic Strengthening Strategy and will be involved in the design development phase of the terminal and surroundings, as appropriate, once funding for the project is confirmed.</p>
<b>Enhanced sustainability of natural assets</b>	N/A	
<b>Mitigation of climate change</b>	✓✓	The proposal is for a modular design terminal incorporating eco-friendly, sustainable materials.
<i>Additionality</i>		
<b>Adding value by building on what is already there</b>	✓✓✓	<p>This project will build on Taupō's existing airport.</p> <p>The project has secured regional funding of \$<sup>Commercial Information</sup> meaning the PGF will be building on existing project funding.</p> <p><b>Commercial Information</b></p>
<b>Acts as a catalyst for productivity potential in the region</b>	✓✓✓	The modernisation of the airport terminal, runway apron and car parking facilities will allow for more efficient processing of visitors and business to and from the airport. As such, the airport will be one factor in helping the region grow its economy.

Criteria	Rating (1✓ to 5✓)	Comment
<i>Connected to regional stakeholders and framework</i>		
<b>Alignment with regional priorities</b>	✓✓✓	The project is part of an overall transport plan highlighted as a regional priority of the Te Waka Regional Economic Plan created by Waikato's Economic Development Agency.
<b>Support from local governance groups</b>	✓✓✓	<p><b>Commercial Information</b></p> <p>Key points:</p> <ul style="list-style-type: none"> <li>• Te Waka (Waikato Economic Development Agency) acknowledges the airport redevelopment project as a key economic infrastructure asset in its development programme 2018-2022.</li> <li>• Bay of Connections has identified 28% of the region's GDP is attributable to tourism and future growth is a top priority.</li> <li>• Ruapehu District Council Long Term Plan (LTP) 2018 - 2028 – "Additional flights to the District via Taupō Airport are critical to growth in the visitor sector and other businesses in the District".</li> </ul>
<i>Governance, risk management and project execution</i>		
<b>Robust project management and governance systems</b>	✓✓✓	<p>TDC with a project management team of Council officers and external contractors.</p> <p>MOT will provide oversight on behalf of the Crown and will be required to approve the funding releases following the negotiated milestones being completed.</p> <p>TDC has experience in delivering robust projects within budget an on time e.g. Eastern Taupō arterial roading project (\$<sup>Commercial</sup> ) was co-funded with the NZTA and delivered on time and within budget.</p>
<b>Risk management approach</b>	✓✓✓	The project will be managed in-house through the TDC's robust project and risk management processes. A risk and mitigations matrix has been provided.

Criteria	Rating (1✓ to 5✓)	Comment
Future ownership / operational management	✓✓✓✓	<p>Commercial Information</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

## Agency comments

### Ministry of Transport

225. MOT has advised it has a \$ [REDACTED] multiyear appropriation equating to \$ [REDACTED] p.a. to fund capital and operating losses across all five joint venture airports (which includes Taupō Airport). MOT has determined this as the most appropriate funding mechanism for providing a \$ [REDACTED] co-contribution. Commercial Information [REDACTED]

### MBIE Tourism

226. MBIE Tourism considers the redevelopment of Taupō airport as a high priority from a tourism perspective and highly recommends that the PGF support this project. Taupō is classed as an emerging region in the Government Investment Framework for Regional Tourism which is based on the four key criteria (access, attractions, amenities and awareness). MBIE Tourism considers Taupō as a medium-high priority for tourism investment, primarily for access, as is the focus of this proposal. This project aligns well with the outcomes of the New Zealand-Aotearoa Government Tourism Strategy: delivering exceptional visitor experiences, improving the lives of New Zealanders through tourism and supporting thriving and sustainable regions.

Commercial Information [REDACTED]

## Risk assessment

228. Due diligence has not been undertaken as the recommendation is to decline the proposal. Should the proposal be approved due diligence would not be required as the joint applicants are the Crown and a local authority. The PDU works with DIA to assess risk around local authorities.

229. The PDU has identified the following risks and mitigations:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
<b>Financial Risk</b>	Commercial Information		High
<b>Financial Risk</b>			High
<b>Operational Risk</b>	Passenger numbers are lower than the BAU forecast model	Adoption of the pricing methodology allows for re-pricing of the financial model yearly	Low
<b>Project Delivery Risk</b>	Cost over runs of the project	Robust procurement and project management as per Council and MOT's policies	Low