OFFICE OF THE MAYOR
Palmerston North City Council

9 October 2025

Murray Georgel
Chair
Palmerston North Airport Limited
PO Box 4384
Palmerston North 4442

Dear Murray

Statement of Expectations for 2026/27 to 2028/29

The Statement of Expectations (SOE) sets out Palmerston North City Council's (Council) expectations of Palmerston North Airport Limited (PNAL) for consideration in PNAL's business planning and the development for the Statement of Intent (SOI).

As a prelude to the development of your next SOI the Council has reviewed the SOE and adopted one (copy attached) for 2026/27 to 2028/29. There are no major changes to the SOE compared to last year.

The Council recognises your main focus at present is on the terminal development project and also the development of warehousing opportunities.

The Council recognises PNAL as not only a council-controlled trading organisation but also an important strategic partner in achieving the City's desired outcomes for the City and wider region.

If you have any queries or comments please direct them through Council's contact person, Steve Paterson, Manager – Financial Strategy (steve.paterson@pncc.govt.nz 0274 424 021) whose role includes facilitating timely interaction between the Council and the company on shareholder issues.

Ngā mihi nui

Grant Smith
MAYOR

ID: 17549483

Palmerston North City Council

Statement of Expectations for Palmerston North Airport Limited (PNAL)

The Palmerston North City Council (Council) is the sole shareholder of Palmerston North Airport Ltd (PNAL). The Council (as shareholder) has adopted the following Statement of Expectations for the three-year period commencing 1 July 2025. It is expected this will be updated annually.

1 Matters addressed by schedule 8, part 2 Local Government Act (LGA)

Council's expectation is that the PNAL Statement of Intent (SOI) will comply with this legislation and in particular that it will:

- Clearly identify key objectives of PNAL
- Include the board's approach to governance
- Clearly outline the scope of activities to be undertaken
- Include performance targets and other measures by which the performance of PNAL may be judged in relation to its objective, and
- How PNAL intends to align with Council's key policies including its Vision, goals and key strategies and the District Plan.

2 Matters addressed by section 64B (1) LGA

Council expects PNAL to continue to engage with its shareholder in an open, collaborative and proactive ('no surprises') manner and in doing so expects that PNAL will meet regularly with the Council as follows:

- Annually with the PNAL Board and full Council to discuss business performance, vision and direction
- PNAL Chair and CE present the draft SOI annually to Council's designated Committee
- PNAL Chair and CE to present the 6 monthly performance report and audited annual report to Council's designated Committee
- Other meetings addressing specific issues as appropriate

Council expects PNAL to maintain and implement a master plan for the airport and to engage proactively with the Council on matters that are likely to involve challenges to provisions of the City's District Plan.

Council expects PNAL to continue to proactively communicate with its communities on key issues.

The airport is a critical component of the City and regions transportation infrastructure and Council expects PNAL to play its part in ensuring airfreight and associated logistics activities are planned and developed to ensure connectivity to other nodes within Te Utanganui – the Central New Zealand Distribution hub, and the planned Regional Freight Ring Road.

The airport provides a vital component of the economic infrastructure of the City and region and Council expects PNAL to proactively work with regional economic development agencies, tourism agencies and airline operators to develop sustainable passenger and airfreight services.

Council applauds PNAL for its positive engagement with Rangitāne o Manawatū and encourages consideration of opportunities to further enhance the relationship with Rangitāne and other local iwi and hapu.

Council requires PNAL to fulfil all its statutory duties to the Council as Shareholder and to work collaboratively with the Council to enable Council to meet its wider statutory obligations.

3 Matters addressed by section 64B (2) LGA

Section 64B(2) allows shareholders to identify any other expectations for the Company. The following addresses those matters of particular importance to the Council for PNAL over the forthcoming year, which Council expects to see reflected in the SOI.

i. Principles and key objectives

As outlined the LGA requires PNAL to state its proposed activities and intentions for the year and the objectives these will contribute to. Council expects PNAL to continue to service our local airport catchment and visitors for connectivity and capacity to support air traffic flows into and out of the region.

ii. The airport as a commercial entity

PNAL is required to have a commitment to retaining and growing long-term shareholder value. Council recognizes that shareholder value accretion occurs through PNAL's ongoing and significant investment in critical infrastructure including the terminal redevelopment to improve the customer experience and to facilitate sustainable growth in passenger and airfreight volumes, and investment in the development of Ruapehu Business Park which will provide income diversification and value accretion benefits. Council further recognizes that given the magnitude of the capital programme associated with the terminal development project and planned commercialization within Ruapehu Aeropark PNAL's ability to preserve cash is likely to be constrained in the short-term. However as outlined previously Council has an expectation that a dividend payment will be progressively re-instated, in line with PNAL's dividend policy and that the implications of this will be addressed annually through the SOI. As a guide Council has the following dividend expectations:

- the dividend payment for the 2025/26 year (payable in 2026/27) will be no less than 40% of net profit after tax excluding fair value gains and one-off capital gains (e.g. land sales) or $400,000, whichever is greater,
- the dividend payment for the succeeding years will be no less than 40% of net profit after tax excluding fair value gains and one-off capital gains (e.g. land sales) or $500,000, whichever is greater.

The Council expects PNAL to maintain suitably prudent risk policies, a balance sheet with a prudent debt/equity ratio, a profitable trading position and to be able to fund future renewals and growth activity without recourse to additional shareholder capital.

The Council encourages PNAL to continue to find ways of diversifying its revenue base through its property interests and specifically by its ongoing focus on freight & logistics, aero maintenance and aviation tertiary training, all critical industries to the city and wider region.

PNAL is further encouraged to consider alternative means of accelerating revenue diversification objectives including developing strategic partnerships and alternative funding mechanisms. The Council will work proactively with PNAL to help facilitate this.

iii. Provision of line of credit

The Council has entered a 10-year loan facility agreement with PNAL aimed at enabling PNAL to obtain loan funding at interest rates competitive with those available from a commercial bank. So that this arrangement does not adversely impact on the Council's ability to borrow for other purposes it relies on the Local Government Funding Agency's on-going assessment that PNAL will remain profitable (considered over a number of years) and capable of servicing its own debt.

It is expected that the SOI will clearly demonstrate how PNAL plans to organise its financial affairs to be able to operate within the terms and limits of the loan facility agreement, recognising that PNAL plans to also obtain additional debt funding from other sources (e.g. bank) in addition to the Council facility.

iv. Environmental impacts

The Council is committed to helping meet a goal of achieving a 44% reduction in greenhouse gas emissions per capita in Palmerston North (from the 2016/17 baseline) by 2034, both as a large city organisation, and as a supporter and enabler of other businesses. The Council acknowledges PNAL's Integrated Carbon Management Plan and commitment to and achievements against the Airport Council International Airport Carbon Accreditation programme.

v. Operational capacity

Council recognises the importance PNAL places on community engagement and the maintenance of the airport's social license to operate to preserve its 24/7 airfield operations and to facilitate sustainable growth in aeronautical activity (passenger, airfreight, aviation tertiary training and aeromedical/patient transfers) to achieve regional economic growth objectives. Council will work collaboratively with PNAL to defend existing air noise boundaries and associated protections including but not limited to Airport Protection Surfaces and Runway End Protection Areas. In turn Council expects PNAL to proactively manage aerodrome-wide operations within the existing noise parameters and other District Plan provisions.

vi. Consistency with the wider objectives of Council

The Council expects the Board and management of PNAL to act in the long-term interest of the company but to do so with a full understanding of the much broader strategic interests of the shareholder.

The key reason for Council's investment in PNAL is to ensure the City and region has an appropriate air gateway for passengers and airfreight.

The Council expects PNAL, as the operator of this key gateway, to be proactive in its thinking about how it can contribute to its ambitions for marketing the city and wider region.

The on-going focus on building sustainable air services and connectivity for passengers and airfreight, together with aero maintenance and aviation tertiary training will benefit Te Utanganui – The Central New Zealand Distribution hub improving economic viability for businesses in the city and wider region, increasing tourism expenditure and boosting the City's image.

As you will be aware the Council's vision is Small City Benefits, Big City Ambition. To fulfil its vision the Council has the following goals:

Goal 1: An innovative and growing city
Goal 2: A creative and exciting city
Goal 3: A connected and safe community
Goal 4: A sustainable and resilient city

These goals are supported by the Oranga Papaioea City Strategy with a number of associated plans including those with a focus on transport and economic development.

The Strategy outlines that we want an innovative, resilient and low-carbon city economy, where people, whanau and communities can prosper and achieve their goals and a city transport system that links people and opportunities.

The City's natural advantages include its central location in the North Island, the availability of key infrastructure (e.g. Te Utanganui, the airport's 24-hour airfreight operations are key factors in the growth of the City's logistics sector), the highly qualified workforce, and the relative affordability of land. These advantages form a basis for Palmerston North's case for regional, national and international investments and partnerships.

Both the Economic Development Plan and Transport Plan emphasise Te Utanganui as a key strategic priority for the City. It is expected that PNAL will continue to be an active partner in the broader economic development objectives of Te Utanganui and collaborate with other key partners.

PNAL is a strategic partner for these strategies and plans.

4 Timeline for SOI

The timeline for development of the SOI for 2026/27-2028/29 involves the following steps:

By 20 December 2025	Council delivers Statement of Expectations
By 28 February 2026	PNAL delivers draft SOI to Council
xx April 2026 (TBC)	Council's designated Committee receives & considers draft SOI
By 13 April 2026	Council feedback provided to PNAL
By 31 May 2026	PNAL provides final SOI to Council following consideration of Council comments
xx June 2026 (TBC)	Council's designated Committee receives & considers final SOI

9 October 2025

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