



Interesting and thought-provoking aspects of the Auditor-General's work and public reports, presented as case studies for teachers and students.

## Paraparaumu Aerodrome

The sale of a state-owned aerodrome isn't popular with everyone.

### Introduction

In 1990, the government introduced policies to encourage its departments to sell uneconomic assets. Paraparaumu Aerodrome, run by the Ministry of Transport (MOT), was assessed as being uneconomic and therefore suitable for sale.

In 1995, the government completed the sale to a private owner – but not without controversy. Some community members were concerned that the aerodrome might close after the sale. Questions were also raised about the adequacy of consultation with Māori and former owners of aerodrome land.

In the years after the sale, the new owner sold some aerodrome land, reigniting users' concerns about the facility's future. In 2002, they petitioned Parliament to safeguard the airport's long-term viability.

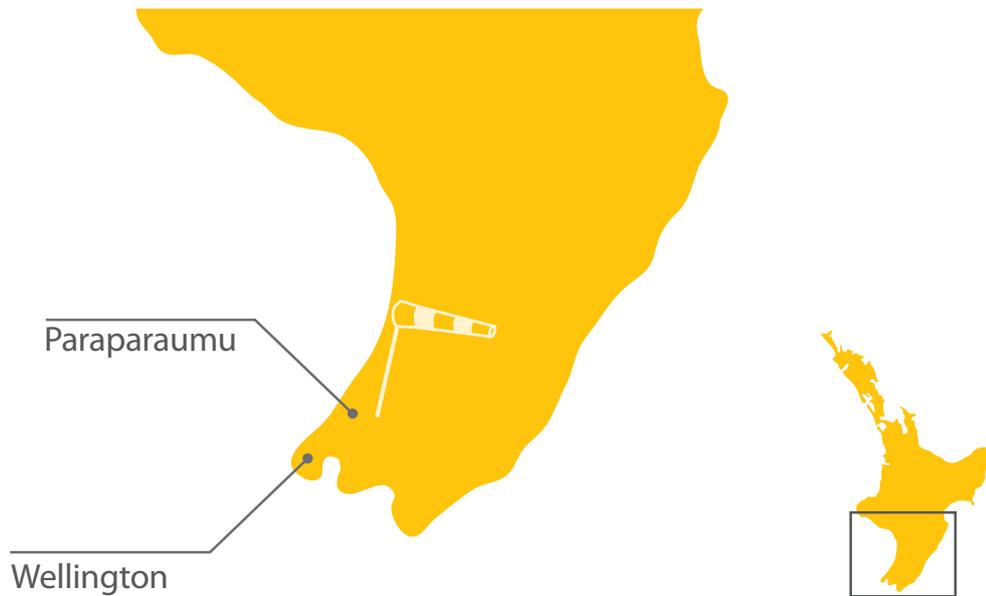
As a result, the Office of the Auditor-General (OAG) investigated the sale – 10 years after the fact. It found that the consultation and sale processes were acceptable on the whole, although it did recommend some improvements.

### Aerodrome origins

During World War II (1939–45), the government built Paraparaumu Aerodrome for defence purposes. In such emergencies, it could force landowners to sell their properties. However, if it ever wanted to sell the land later, it would have to offer it to the original owners (or their descendants) first.

After the war, the aerodrome was used publicly, mostly as a training and recreational aerodrome – until, in 1990, the government proposed restructuring or selling it.

## Location of Paraparaumu Aerodrome



### Aerodrome options

The government preferred that the aerodrome remain open if sold – to avoid straining other airports and to satisfy local users. It considered various options.

1. Make the aerodrome more commercially viable by reducing its size and selling surplus land.

REJECTED. The government policy at the time was to develop land. It also believed that viability would still be unlikely after downsizing. It would also need to offer surplus land to original landowners. Because some of that land crossed essential areas of the aerodrome, the facility may have to close if the land were sold.

2. Lease the aerodrome. (The lease could end if the lessee stopping using the land as an aerodrome.)

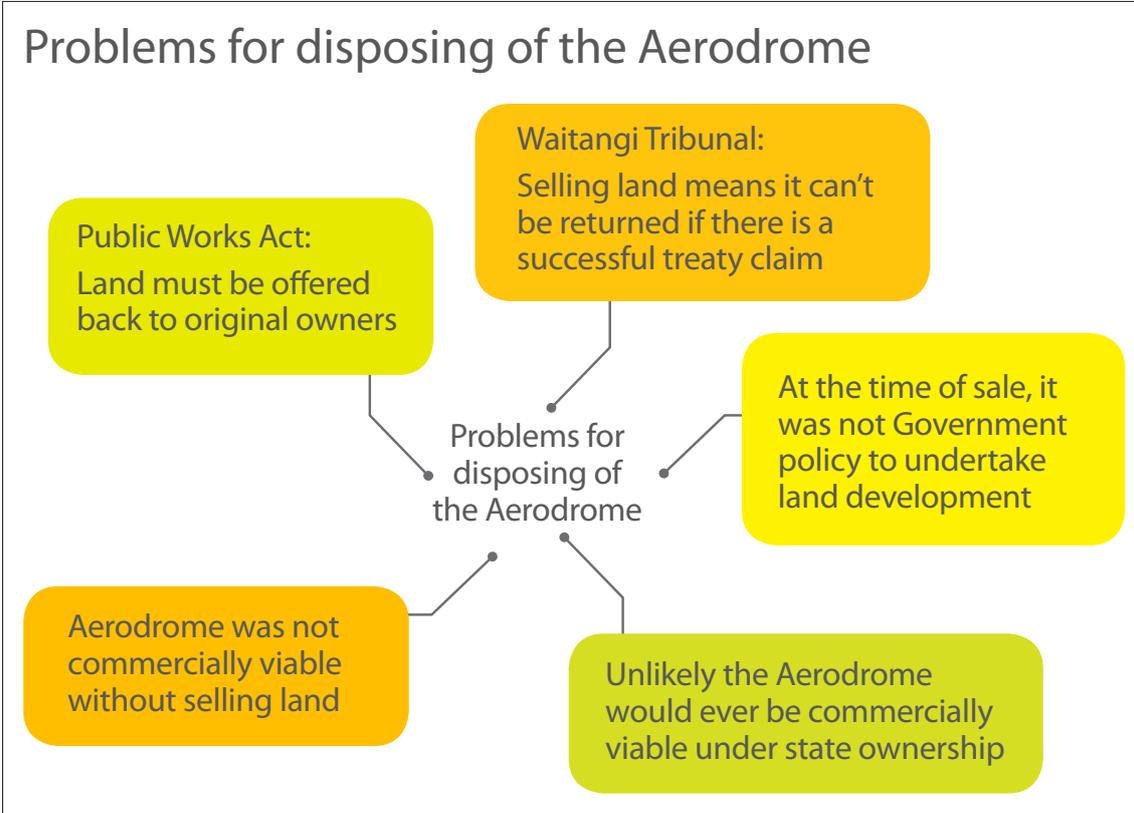
REJECTED. A lease would involve too much effort and affect the government's ability to make long-term decisions about the aerodrome.

3. Turn small aerodromes, including Paraparaumu Aerodrome, into companies operating under a state-owned umbrella company.

REJECTED. A government valuation concluded that the aerodrome would be uneconomic even if operated as a business.

4. Turn the aerodrome into a company and then sell the government's shares to groups likely to continue running it as an airport.

ACCEPTED.



## Consultation with former landowners and Māori

Before selling Paraparaumu aerodrome, the government needed to meet its legal and Treaty of Waitangi obligations by consulting with former landowners and Māori.

### Former owners

MOT identified, but did not contact, the original owners of the aerodrome land.

The government recognised that selling the aerodrome to a private owner could prevent the original owners from buying back their land. Because of this, it changed the law (Airport Authorities Act) so that the landowners' buy-back rights would remain even after the land was sold.

MOT believed that this law change adequately protected the rights of the original landowners so decided not to inform them of the sale.

### Māori

MOT consulted with iwi and hapū groups that had lodged claims with the Waitangi Tribunal in the area of the aerodrome.

MOT needed to find out how meaningful the land was to the Tribunal claimants. If the land wasn't particularly meaningful, other land could replace it in Treaty settlements.

Three iwi were interested in the aerodrome. After some discussion with MOT, all agreed that their Waitangi claims, if successful, could be compensated with other land or assets.

Based on this information, MOT went ahead with the sale.

#### *Unresolved aspects of the consultation*

- One iwi group, Ati Awa Ki Whakarongotai Inc, told MOT that it was passing its interests in the aerodrome to the relevant hapū – a former landowner. MOT chose not to contact the hapū because it believed that their interests would be protected under the law related to former owners.
- Te Rūnanga o Toa Rangatira argued that the government should remove from the sale land that wasn't needed for the aerodrome's operation. It said that MOT, as an experienced airport operator, should decide which land was surplus rather than leave the new owner to do so. This would make the surplus land available for Treaty compensation. However, MOT said that it was not in a position to make this judgement.

## **Sale process**

### **Valuation**

The government wanted to maximise its income from the sale but also ensure that the aerodrome stayed open. If it set the price too high, buyers might sell the land for higher-earning uses than aviation. The price needed to balance these concerns.

Therefore, MOT decided to value and sell the aerodrome as a 'going concern' (on the basis that the business would continue operating), despite its own assessment of the business as uneconomic). Its 'going concern' valuation of the aerodrome was \$1.6 million. (This valuation compared to a higher one of \$3.5 million if the aerodrome ceased operating and all the land were sold.)

### **Tender eligibility and assessment**

To help keep the aerodrome open after sale and to address community anxiety about bids by property developers, the government specified that only 'user groups' could submit tenders. However, it didn't require that 'uses' be aviation related. It also didn't include a legal requirement to keep the aerodrome open as it felt this would limit the sale revenue too much.

The main criteria for assessing tenders were:

- commitment, capability and financial position to continue operating the aerodrome
- price.

## **Sale events**

In April 1995, MOT received three tenders. The two that went beyond an initial bid were from:

- Kapiti Avion Holdings (KAH) – a group of businesspeople that leased aerodrome land
- Kapiti Regional Airport Limited (KRAL) – a group of air operators at the aerodrome.

KAH and KRAL were asked to resubmit their initial bids to take into account the value of surplus land. The deadline for new offers was 5 May. KAH made a new bid on 2 May and KRAL on 5 May. However, before MOT received KRAL's second bid, it had already started negotiating with KAH. A few days later, it accepted KAH's bid.

## Objections to the sale

### KRAL objects

KRAL challenged KAH's eligibility as an aerodrome 'user' because its lease was for purposes other than aviation. The challenge was unsuccessful because 'user' could legally be interpreted to include any lessee.

KRAL also claimed that MOT's contracted commercial adviser should not have managed the sale because he was also the accountant for the successful tenderer, KAH (a conflict of interest).

### Puketapu hapū objects

In April 1995, just before tenders were received, the Puketapu hapū contacted MOT saying it had only just heard of the proposed sale. (This was the hapū that Treaty claimant Ati Awa Ki Whakarongotai had referred to.) The hapū met with MOT in May, arguing that aerodrome land should be offered to the original owners because its use had changed from defence to recreation.

MOT said that nothing could be done now because the sale contract had been signed. It also explained that the hapū's rights as former landowners remained after the sale.

## What the OAG said about the consultation

The OAG found that MOT consultation with former owners and Māori was acceptable overall, but it made some criticisms.

### Former owners

The OAG said that MOT would have done better to contact former owners about the proposed sale (despite the law change to protect their rights). MOT knew that some aerodrome land had been Māori land. Some of the original Māori owners were likely to be from the same hapū and could have Treaty interests. Indeed, the Puketapu family regarded its land as hapū land even though, in law, it was owned in individual shares.

MOT's decision not to contact the hapū compromised its ability to meet Treaty obligations. Once land was sold to private owners, it was beyond the reach of Treaty claims.

### Māori

The OAG said that MOT should have focused more on what the Waitangi Tribunal claimants said about who was affected. Specifically, MOT could have contacted the Puketapu hapū after that family was identified as having Treaty interests. Had MOT identified those interests earlier, it might have been able to address them.

MOT could also have focused more on how to address iwi and hapū concerns about surplus land. It had clearly been in a position to determine which land was surplus before the sale, but it was more concerned about the time that negotiating a solution might take. MOT was under pressure to complete the sale before 30 June 1995.

## What the OAG said about the sale process

### Valuation

The OAG was satisfied that the ‘going concern’ sale method was an acceptable way of balancing the government’s aims of maximising sale income and keeping the aerodrome open. It found that the valuation was reasonable.

### Tender assessment

The OAG said that the tenders were assessed with appropriate rigour. However, it suggested that the assessment criteria and process should have been more formal and better documented.

In particular, it said that the decision to start negotiating with KAH before the tender deadline was not good practice.

## Today – Kapiti Coast Airport

Since 2006, Kapiti Coast Airport (as Paraparaumu Aerodrome is now known) has had new private owners. They are currently expanding commercial flights, upgrading facilities and building a business park.

- [www.kapiticoastairport.co.nz](http://www.kapiticoastairport.co.nz)

## Student inquiry questions

- Should the government have sold Paraparaumu Aerodrome?
- How well did the government’s solution balance everyone’s interests?
- How reasonable was the government’s decision to sell the aerodrome as a ‘going concern’ given that it considered the aerodrome uneconomic?
- Why didn’t the government determine the surplus land before sale?
- Were the former landowners’ rights fully protected by the law change?
- Should MOT have contacted former landowners?
- How well did MOT address Māori interests?
- Should ‘user groups’ have been defined as only groups who used the aerodrome for aviation?
- Should government run businesses?