FINAL REPORT

WANAKA AIRPORT PLANNING AND DEVELOPMENT

REPORT PREPARED FOR
QUEENSTOWN LAKES DISTRICT COUNCIL

and

QUEENSTOWN AIRPORT CORPORATION

by

ASTRAL LIMITED

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Summary

The purpose of this study is to review the planning and development of Wanaka Airport on behalf of its owner, Queenstown Lakes District Council (QLDC) and its operator, Queenstown Airport Corporation (QAC).

The report is high level, confined to identifying the major issues facing the airport and proposals to address them, looking ahead 40-50 years.

Key issues identified are:

- The role of Wanaka Airport
- Shortage of available land for aviation business development and new hangar sites
- Airport revenues
- Capital works required and the level of capital investments
- Ongoing responsibility for governance and management of the airport

Role of the Airport

The role of the Airport has been identified as being a complementary and supplementary facility to Queenstown Airport, able to accommodate aircraft spill over from Queenstown which is increasingly likely to occur as Queenstown focuses its capacity on accommodating jet air transport flights. Wanaka could increasingly become the base for general aviation (GA) in the region as well as accommodating scheduled and charter air transport service itself. Scientific aviation activities, such as the NASA balloon programme, may become increasingly important.

Land

The existing commercial area is very constrained, especially when our recommended building set back of 200m is applied either side of the runway centreline to accommodate a possible future requirement for a 300m wide runway strip. Although the airport has land on the north side of the runway targeted for hangar development in the 2008 Master Plan, we do not consider this is an ideal location for expansion. Instead we recommend land on the south side currently owned by the Pittaway family and almost next to the existing airport commercial area. The Pittaways have indicated an interest in disposing of this

land. Its acquisition by the airport would provide nearly 40ha of flat land ideal for commercial development once zoning issues are addressed.

Revenue

The Airport has a modest income stream of about $230,000 annual EBIT. This is split 40% to landing fees and 55% to hangar and office ground rents. Ground rents have fallen behind, most not having been reviewed for the last 2-3 years. Recommended revenue enhancements focus on land and property leases, increases in landing fees and increasing the volume of movements. We consider the recommencement of air scheduled transport services should be included in planning. Ideally these services will use larger 50 seat aircraft for improved per seat operating costs and lower fares.

Capital works and funding

Significant CAPEX will be required over the next 15 years largely to fund land acquisition and infrastructure development, as well as for asset maintenance and upgrade. Revenue will not be adequate to fund this programme and a considerable debt or equity injection from the shareholder will be required.

Governance and management

Under the existing arrangement of QLDC asset ownership with QAC as the contracted Airport operator, long term strategic and master planning is being neglected. We reviewed five governance options (including the status quo) and recommend the further study of two of these; restructuring as a council controlled trading company or transfer of ownership to QAC. We believe this will provide the required focus and funding options to enable the airport to develop its full strategic potential for both Wanaka and the wider region.

1. Background

This report was prepared at the initial suggestion of the Wanaka Airport Manager to provide an up to date basis for making long term decisions on airport development, in particular sewage services, and the siting of new and expanded facilities such as hangar space.

The commissioning of the report was actively supported by the airport owner, Queenstown Lakes District Council (QLDC) and the airport operator Queenstown Airport Corporation (QAC).

The report is high level and is confined to identifying the major issues facing the airport. It presents proposals aimed at ensuring the airport is well provided for and able to achieve its purpose looking ahead 40-50 years. It is envisaged as the platform for more detailed nearer term planning and, if justified, land acquisition.

The report was prepared in consultation with a steering group of representatives from QLDC and QAC. Two meetings of the group were held, facilitated by Astral, which primarily discussed the airport's role, infrastructure requirements, land requirements for aviation purposes and possible land acquisition. The intention was to ensure all key decision makers were apprised of the long term issues facing the airport, participated in developing recommendations and gained a shared commitment to the future of the airport.

In preparing the report the Astral team reviewed and drew on the following material:

- The Wanaka Airport Master Plan 11 Sep 2008 (Rev 2.41) prepared for the Wanaka Airport Management Committee by Peak Projects and the then Airport Manager.
- The 2010 Addendum to the 2008 Master Plan prepared by Airbiz. This addendum provided updated aircraft movement and passenger number forecasts.
- The 2011 Airport Purposes Designation. This was primarily introduced to provide for zoning of a total of 90ha of land acquired primarily on the north east side of the airport in 2004/06, a future replacement (and

extended) main runway, new flight path protection surfaces and new expanded noise contours.

- The 2013 Wanaka Airport Land Use Study prepared by Airbiz. This report reviewed the 2008 Master Plan and identified potential aviation related commercial activities that that could expect to be provided at the airport on current airport land and on adjacent land that may need to be rezoned for airport related activities. The report included a "composite future development plan" which integrated the various development plans arising out of the 2008 Master Plan and the 2011 Designation. The reported noted that developed area is nearing capacity but does not specifically mention the development potential of the land on the north side of the runway acquired in circa 2004/06 and rezoned in 2011. The report also identifies various commercial activities that may benefit from being located near the airport, or that may benefit the airport by being located there. It is understood Wanaka Airport management reviewed this report at the time and considered that the airport had sufficient land to meet projected demand.
- The 2014 Notice of Requirement (NoR) to modify the Airport Purposes Designation. This NoR seeks to include the strip of land, currently owned by the Toy and Transport Museum in the airport land holding to provide for a parallel taxiway.

In preparing this report we have taken a fresh look at the role of the airport, recent developments in airport planning, air navigation changes at Queenstown airport, and that airport's continued double digit growth in airline passenger movements, and increasing demand by corporate jet aircraft. We have not felt particularly bound by the recommendations of previous reports, including the 2008 Master Plan.

2. The role of Wanaka Airport

The 2008 Master Plan proposed a mission statement for the airport as below:

"To operate a safe and reliable airport facility based on sound business principles that services and promotes a range of aviation operations including scheduled air transport services for the economic and social wellbeing of Wanaka and surrounding districts.

To recognise and protect the future of Warbirds over Wanaka Air Show event due to the significant economic benefit for Wanaka Ward and surrounding districts"

It is noteworthy that the strategies identified in the Master Plan include reference to the airport acting as a complementary facility to Queenstown Airport, being operated on a safe and reliable basis, and in essence providing for growth to meet the needs of all airport users based on forecast growth.

The 2011 Designation and its 2014 modification had the objectives, *inter alia*, of:

- Maintaining and enhancing operating capacity at the Airport, particularly to maintain capacity for domestic services to and from Wanaka Airport.
- Allowing the airport to act as an alternate for certain aircraft types unable to land at Queenstown Airport because of weather conditions.
- Enabling sustainable future use of the Airport particularly to accommodate the ongoing growth in general aviation activities.

The 2010 and 2013 Airbiz reviews focused on projected demand without commenting on the Airport's role.

At its meeting on 5 Oct 2015 the QLDC/QAC steering group endorsed the role of the airport as a supplementary and complementary facility to Queenstown Airport. The view of the Astral team is that this role is going to become increasingly important in the future due to:

- Continued double digit growth of scheduled air transport operations at Queenstown Airport. Air transport passenger numbers have grown

9% annually compounding since 2005 and air transport movements 4% annually (International movements 26%)

- Continued growth in corporate jet operations (movements up 20% in the 2015 financial year)[1]
- Continued growth in general aviation (movements up 10%)[2]
- Increasing airspace constraints resulting in aircraft not equipped for "RNP" (satellite based navigation) take-offs and landings operations being increasingly subject to delays at Queenstown.
- Lack of available real estate at Queenstown for aircraft parking and general aviation facilities. Note at the time of preparing this report the Environment Court latest decision on "Lot 6", which would provide QAC with approximately 19ha more land for general aviation development, has not been finalised.
- The lack of any other airport with the facilities that Wanaka has, or can potentially have, in the region. We note recent plans to develop Alexandra airport but this has neither the scale of facilities Wanaka already has, the proximity to Queenstown or the tourist attractions already existing at Wanaka such as skiing.

For these reasons Astral has developed these proposals to ensure Wanaka Airport has the space, the planning framework and the governance structure to best ensure it can absorb overflow capacity from Queenstown, both general aviation and air transport, in the foreseeable future.

[1] Source 20015-2015 Queenstown Airport Annual Review
[2] *Ibid*

3. Changes from 2008 Master Plan

The 2008 Master Plan was oriented around either:

a) Expansion of the airport commercial and operational area in its existing south-side location by constructing a new runway parallel and 93m spaced to the existing on the land acquired in 2004/06 on the north side. The existing runway would revert to a parallel taxiway under this concept thereby enabling the building line, currently set back 160m from the runway centreline to be moved substantially closer to the existing runway, in its new role as a taxiway.

OR

b) Retaining the runway in its existing location and developing the land on the north side as an aviation area. A substantial amount of land would be available as it is 310m from the existing runway centreline, allowing a depth of 260m (with the 150m wide runway strip proposed in the Master Plan) for building and access road development.

Since 2008 the following changes have occurred that affect the Master Plan:

- Queenstown airport growth and associated aircraft capacity and real estate shortages have become more apparent.
- Developments in satellite based navigation technology for aircraft approaches have made application of the international standard of a 300m wide runway strip more relevant, whereas the Master Plan was based on a continuation of the lesser New Zealand Civil Aviation standard of 150m. In light of this development Astral now recommends wherever possible protecting a 300m wide strip for air transport operations. Due to the location of the waste water treatment plant a 300m strip cannot be implemented with the proposed replacement parallel runway alignment included in the 2008 Master Plan.
- Land has become available for sale in areas of strategic benefit to the Airport.

4. Development considerations

Broadly, development considerations for Wanaka reduce to whether future aviation area/s are located:

- On the north side on existing or extended airport land (Figure 1)
- On the south side on extended airport land (Figure 2)
- Or on both north and south sides on existing airport land

The steering committee discussed these options, the advantages and disadvantages of which are listed in Table 1. The land areas and current ownership are shown in Figure 3.

It is clear the airport is very short of space in the existing south side aviation area. This is compounded by:

- The triangular shape of the area bounded by the runway separation building line on one side and SH6 on the other
- The ownership of the Warbirds facility and cafeteria by other parties
- The effect of protecting a 300m wide strip in moving the building line even closer to SH6

This makes even retention of the existing infrastructure on the south side marginal.

Other considerations include:

The visibility of the airport facilities to the public.

The airport is an entry point to the Wanaka region and its businesses and facilities, especially those tourist related, are best served being in clear view of the travelling public. The south frontage with SH6 is ideal for this whereas the north side location is not.

Figure 1: North side development

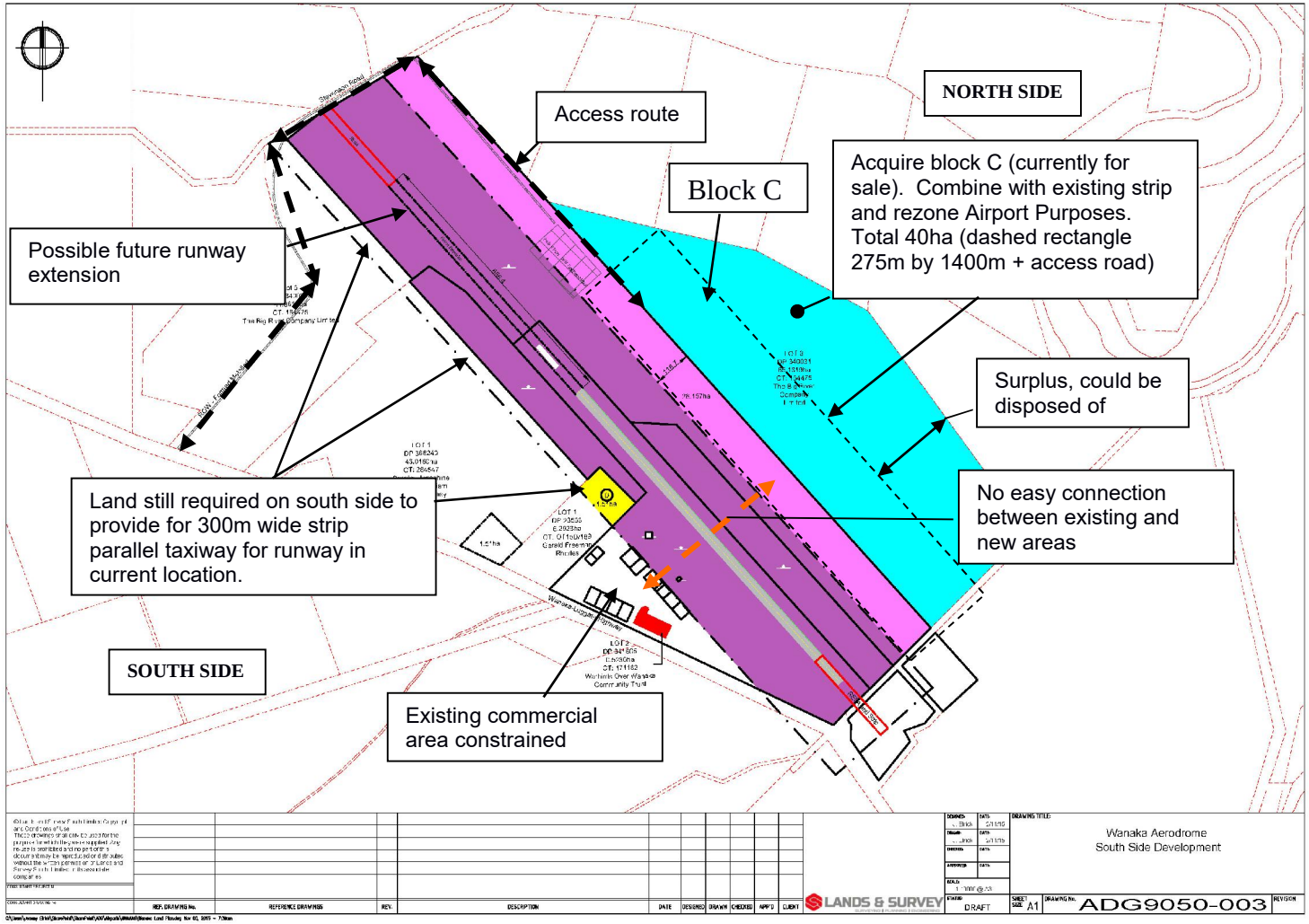


Figure 2: South side development.

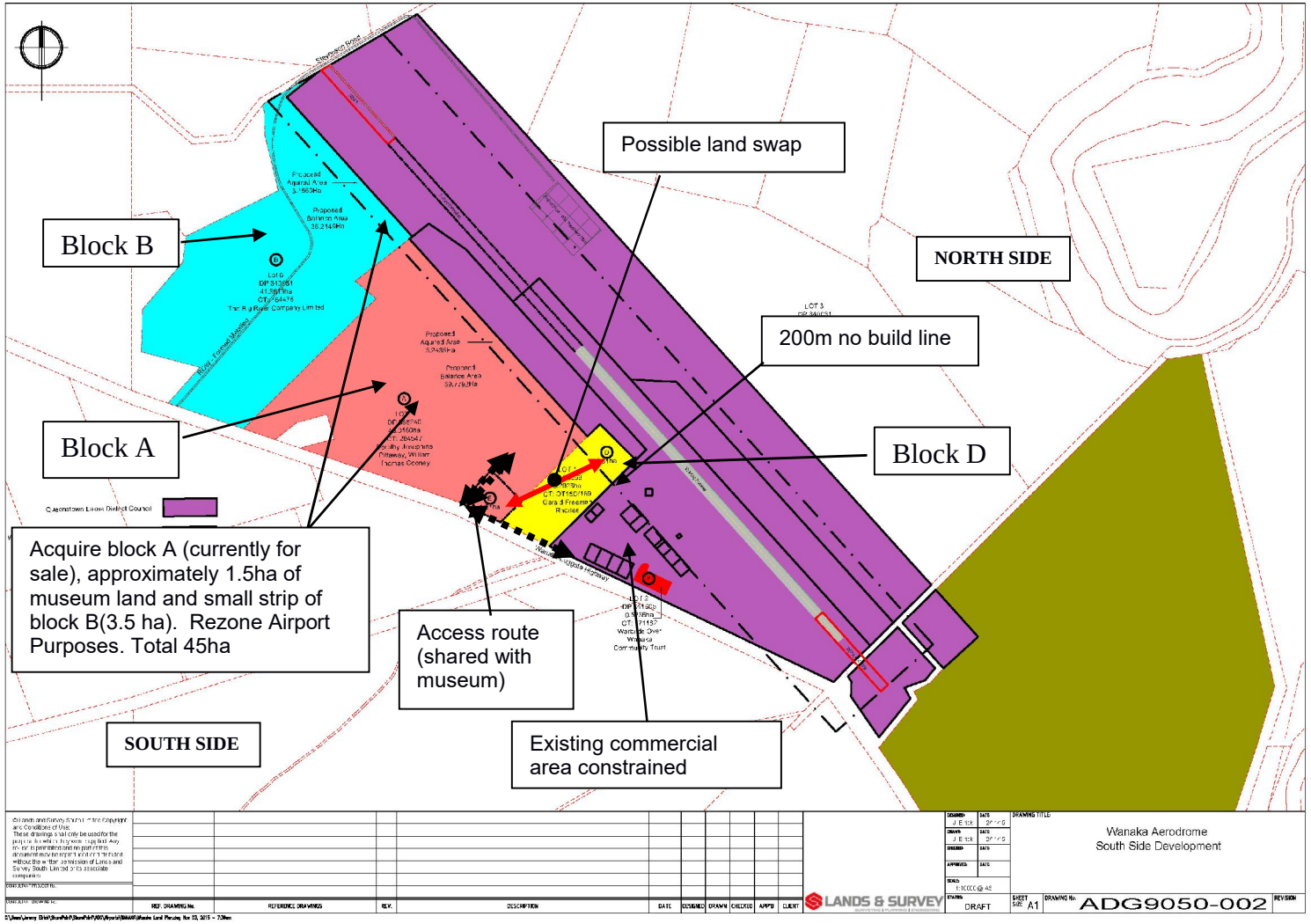


Figure 3: Land ownership

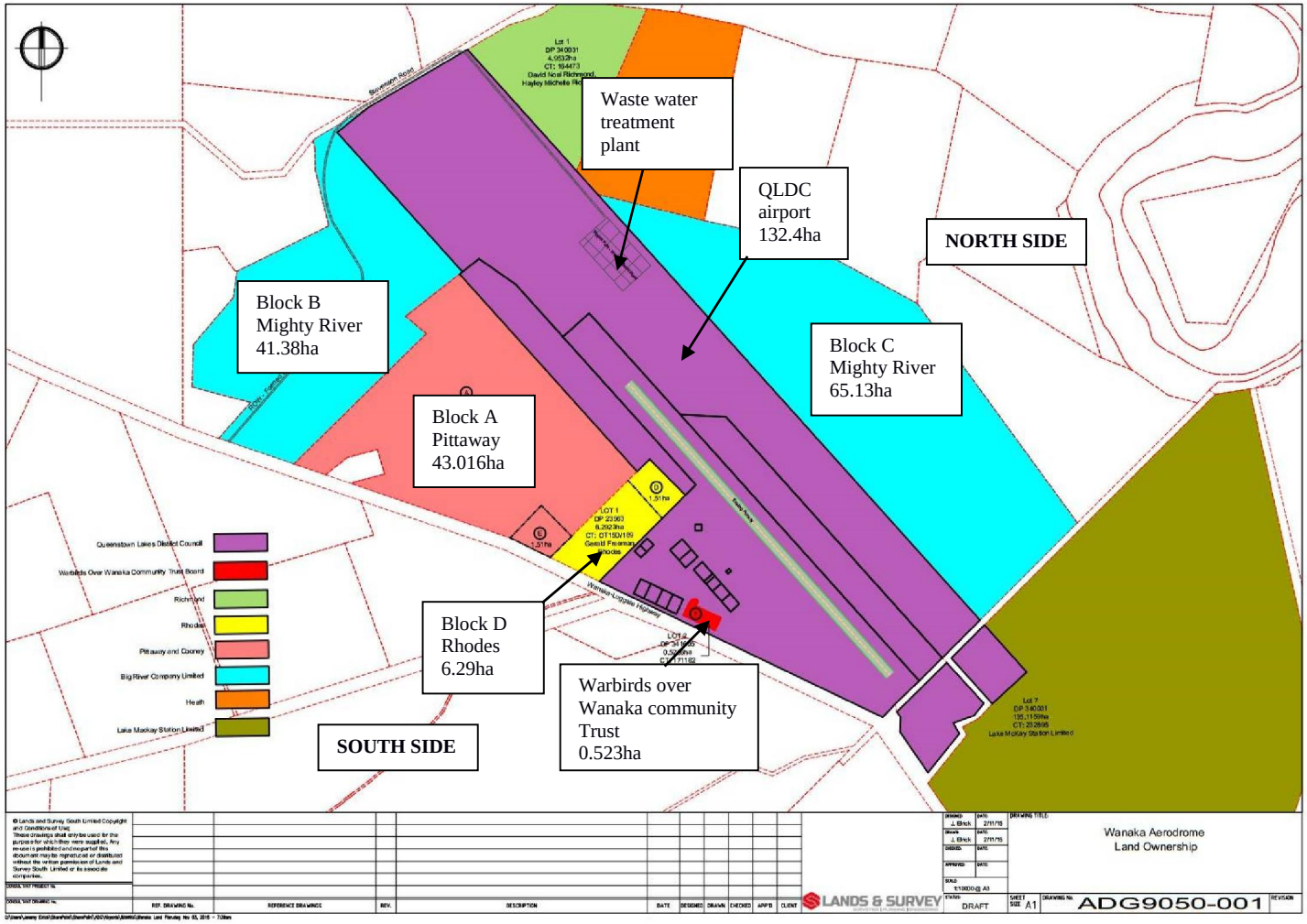


Table 1: Comparison of north and south side development options

Attribute	**Attribute relative importance 1 = lowest, 5 = highest**	**Score out of 5: 1 = poor, 5=excellent**		**Weighted score**	
		North side development	**South side development**	**North side development**	**South side development**
Good presence for passing traffic	4	1	5	4	20
Connection to services	4	3	3	12	12
Land area available	4	5	4	20	16
Indicative cost of land	4	4	3	16	12
Ease of development	4	3	5	12	20
Site shape	3	2	4	6	12
SH6 access	3	1	5	3	15
Connectivity between existing site and new area	5	1	3	5	15
Ease of re-zoning	4	2	4	8	16
Total (out of 225 possible)				**86**	**138**

Real estate fragmentation.

The existing south side location is very constrained for space. The only additional land that may be available on that side is separated from this area by the Toy and Transport Museum. Aircraft access between any new airport development on the west side of the museum and the existing area can only be via a parallel section of taxiway between the two, preferably spaced 168m from the runway centreline so that it remains outside a 300m wide strip. This requires the acquisition of a portion of land from the rear of the museum.

Road vehicle access requires either forming a road in front of the museum adjacent to SH6 or behind the museum but outside a future 300m strip and taxiway. While it is understood a legal access exists in front of the museum there may be issues with the NZ Transport Authority over proximity to SH6. Access behind would require a larger area of land to be acquired from the museum. The museum owner may be able to be motivated to agree to a land swap with the Airport/QLDC to obtain additional SH6 frontage to the west of its existing site.

5. Demand forecasts

Traditional airport growth forecasts are based on projections of passenger number growth over time translated into aircraft movements. This was the basis of the 2008, 2010 and 2011 forecasts. However, in the last four years it has become apparent that in the near term growth will not be as a result of scheduled aircraft movements as scheduled services have recently ceased at the airport. These appear unlikely to resume until Wanaka grows substantially in population or a “hub and spoke” demand emerges for turbo-prop services, that can’t be accommodated at Queenstown Airport, connecting the wider Wanaka-Queenstown area to regional centres.

In the near term Wanaka Airport is more likely to grow as a result of demand for:

- Hangar space for high value privately owned aircraft
- Hangar and facility space for scientific operations such as NASA super pressure balloon launches
- Operational offices and reception facilities for sport aviation activities

- Hangars and bases for helicopter and general aviation, including flight training.
- Ancillary services such as maintenance and repair of aircraft and components
- Aircraft parking, in particular corporate jet overflow from Queenstown airport
- Charter air services such as winter ski flights

Scheduled services cannot of course be excluded and provision needs to be made for a modest terminal building that could initially handle charter flights with provision for expansion. A terminal facility similar in size to that at Manapouri (approximately 400 sq. m) would be appropriate to provide for ad-hoc turbo-props. Airbiz recommended 1000 sq. m in the 2013 land plan study and the 2008 Master Plan allows for a 2500 sq. m terminal.

Currently the Airport Manager, without any advertising, has firm interest for 12 sites to accommodate 23 aircraft. At the current average site size of 1300 sq. m this equates to 1.56ha of land plus associated roading, taxiways and aircraft parking. In addition NASA has confirmed its interest in building a permanent facility for annual balloon launches. NASA requires a site of minimum 2500 sq. m.

Table 2 sets out the current area of tenancies and a projection of growth over the next 2 years.

In all we estimate an additional area of at least 30ha should be provided for facility development outside the 200m no build line on the south or north side of the runway. It is essential that this area has airside access to enable its development for aircraft operations.

Table 2: Existing tenancies

LOT	AREA m2	TENANT	USE
1	2453	Southern Alps Air	Commercial Scenic Flights
2	433	Z - Energy	Fuel Storage and Bowser Dispensing
2A	1343		Future Car Park
2B	406	U-Fly Ltd	Training and Scenic Flights
3	1557	The Alpine Group	Helicopter Commercial and Scenic
4	1639	The Alpine Group	Helicopter Commercial and Scenic
8	747	Wanaka Hangar Services	GA Aircraft Maintenance
9	1082	G & J Dickey	Private Hangar
12	784	Kittyhawk Aviation Ltd	Private Hangar
13	644	G G Brown & A Davey	Private Hangar
14	891	Jetflights Wanaka Ltd	Mustang Flights
15	891	Doran Family Trust	Private Hangar
16	2657	Wanaka Airport Ltd	Private Hangar
17	1152	Wanaka Hangar Services Ltd	Private Hangar Site
18	1350	Wanaka Hangar Services Ltd	Private Hangar Site
19	1350	Wanaka Hangar Services Ltd	Private Hangar Site
20	1161	Wanaka Helicopters Ltd	Commercial Operators Training and Scenic
21	1677	Wanaka Helicopters Ltd	Commercial Operators Training and Scenic
22	1195	Infinity Investment Group Holdings Ltd	Private Helicopter
23	1108	Tail Wind Licensees Ltd	Helicraft Engineering
24	1847	Buick Brothers Holdings Ltd	Helisupport Engineering
25	900	Marsden Trustee Company Ltd	Private Hangar
27	1184	Skydive Lake Wanaka Ltd	Commercial Operations
28	2432	Wanaka Airport Ltd	Performance Aviation Engineers
29	267		
30	314	BP	Airside Fuel
31	315	BP	Airside Fuel
2DP341605	5236	Warbirds Over Wanaka	Private Hangars
3DP23517	1750	Pembroke Hangars Ltd	Private Hangars
4DP23517	2000	Luggate Hangars Ltd	Private Hangars
5DP23517	2104	South Air Ltd	Engineering twenty-twenty four
6DP24685	1750	Nokomai Ltd	Classic Flight Training and Scenic
7DP22637	1500		Wanaka Airport Old Office Site

LOT	AREA m2	TENANT	USE
8DP22637	400	Met Service	
10DP24410	700	Day Family Trust	Private Hangar
11DP24410	840	U-Fly Ltd	Hangar
33	609	Skydive Lake Wanaka Ltd	Skydive Carpark
Total site area	**48668**		
Average area per site -all sites	**1315**		
Average area - private hangars	**1549**		

Table 2a: Existing firm requests for sites

	Indicative site area	Group/organisation	Comments
	6500	NASA	Minimum 2500m2 building
	4000	Private owner	6 Aircraft plus accommodation[3]
	1700	Private owner	2 Aircraft plus accommodation
	1500	Private owner	3 Aircraft
	2000	Private owner	4 Aircraft
	800	Private owner	1 Aircraft
	800	Private owner	1 Aircraft
	1000	Private owner	2 Aircraft
	1000	Private owner	1 Aircraft plus accommodation
	1100	Private owner	1 large aircraft
	800	Private owner	1 Aircraft
	800	Private owner	1 Aircraft
	800	Private owner	1 Aircraft
Total site area	22800		
Average area/ site -all sites	1754		
Average area excluding NASA	1358		

[3] Note there is no certainty accommodation uses could be approved under the District Plan

Table 2b: Projection of future commercial and apron land required (40 years)

Requirement	Area m2	Comments
Total known site demand	22800	
allowance for roads, parking	6840	30% allowance on site area
allowance for aprons, taxiways	4560	20% allowance on site area
TOTAL	**34200**	
3% allowance for growth 40 yrs.	111562	Total area compounded 3% for 40 years (approximately 11ha)
Plus		
Terminal building site	4000	Typical domestic NZ airport
Car parking	7000	Typical 100 spaces
Coach parking	2500	20 coaches
Apron	15000	Typical 4-5 aircraft stand positions
Corporate jet parking	12250	Based on 10 x 35m by 35m spaces
Rental car facilities	7000	Estimated
	47750	
20% landscaping, roading,	9550	Estimated 20% of total area
total site area required	**229780**	
Future growth requirement	23.0	Hectares
Existing commercial area	9.0	Hectares
Total including existing area	**32.0**	**Hectares**

6. Land acquisition

Land for expansion of the airport either north or south of the runway is currently available. Figure 3 shows the location and ownership of the relevant blocks.

Block A (43.02ha) is required for expansion to the south. For expansion to the north block C (65.13 ha) is required. For both scenarios small part of blocks B, C and D on the south side are also required to provide for a 300m wide runway strip on the current runway alignment.

For the south expansion the portion of the Toy and Transport Museum shown as block D in Figure 2 (1.5 ha) would need to be acquired from the Museum to provide for the 200m building set back (based on providing for a 300m runway strip) from runway centreline, which would include provision for a Code C taxiway and service road. It is envisaged this 1.5ha area would be swapped for a similar sized area along the west boundary of the museum site, possibly with road frontage (shown as block E in the plan). This would make the net south area outside the 200m line approximately 41.5ha.

Acquisition of block B (41.36ha) would provide additional expansion area on the south side, with some SH6 frontage. However except for a 3.16 ha portion, required to provide a 200m setback down the full length of the south west airport boundary to allow a parallel taxiway for the entire runway length, acquisition of block B is not considered necessary. Options would be to:

- Acquire block B and annex the 3.16 ha strip into the airport's ownership, releasing the balance of block B onto the market[4]; or
- Acquire a long term (99 year) lease on the 3.16ha strip with a short term lease back to the block owner for grazing or cropping pending its requirement for aviation use.
- For expansion to the north, block C would be more than adequate and would give a total area outside the 200m north setback of approximately 40ha.[5] This

[4] Block B is zoned Rural General therefore activities which could be established on the site are reasonably limited. A significant portion of the block is located inside the airport noise Outer Control Boundary where activities sensitive to aircraft noise are prohibited.
[5] Block C also has Rural General zoning

would still leave an area of land significantly larger than that projected to be required. This would allow approximately 20ha of block C to be offered back to the owner(s) on its north boundary by way of sale or lease as shown in Figure 1.

7. Infrastructure requirements

7.1.Sewage

Sewage reticulation is the most pressing issue facing the airport. Currently the airport is on a septic tank system. This has reached capacity and a connection to reticulated sewage is required. The connection should not present a problem as the Project Pure waste treatment plan has the sewer main running to it.

It is understood that sewage reticulation is now on the QLDC 10 year plan for the airport with design scheduled for 2016-17

7.2.Water

QLDC Infrastructure advises that a new supply is planned. Capacity will be dictated by firefighting requirements. Water supply design is also scheduled for 2016-17 in the current QLDC Long Term Plan.

7.3.Mains power

We are advised that the electrical supply running to Project Pure has adequate capacity to service the expanded airport.

7.4.Internet

NASA has funded a high speed high bandwidth internet cable which runs to the Alpine Helicopter hangar. Access to this is available and we are advised it has the capacity to provide internet for the whole airport.

7.5.Roading and car parking

Roading and car parking would have to be developed for the expanded airport. Subject to funding this should be straightforward with probably the only complication being connection between the existing airport commercial area and the new area.

7.6.Buildings

Refer to section 10.2.

8. Zoning requirements

Current zoning of airport land as depicted in the QLDC District Plan is shown in Figure 4. The underlying zoning of the existing airport is Rural Lifestyle but the airport itself is designated for "Aerodrome Purposes" in the Queenstown Lakes District Plan.[6] The designation is intended to protect the operational capability of the airport, while at the same time minimising adverse environmental effects from aircraft noise.

Blocks B and C in Figure 3 are zoned Rural General, and Block A is mostly zoned Rural Visitor with the balance Rural General. It is understood this was done to provide for future infrastructure (visitor accommodation) for Wanaka Airport, specifically the proposed Windermere Air Park. Within the Rural Visitor Zone visitor accommodation (understood to be aircraft hangars with transient accommodation) and residential activity for on-site custodian(s) is a controlled activity beyond the outer control boundary (OCB). Within the OCB resource consent is required for a discretionary activity. Airport use is not specifically provided for at Windemere. This would not give much certainty for the airport operator or its tenants.

The existing Airport Purposes zone requires any activities to be aviation related which has resulted in businesses wishing to establish on the airport having to gain a resource consent. This gives little certainty and impedes the airport from encouraging aviation businesses and associated airport revenue.

It is understood QAC currently has a submission on the District Plan review to make changes to the Rural General zoning on existing airport land to facilitate its use for wider airport purposes. This includes creating an overlay or similar over Wanaka Airport within which airport and airport related activities would be a controlled activity. This approach recognises that such activities are currently anticipated and provided for at Wanaka Airport, while acknowledging the surrounding rural character through retention of the Rural zone.

As the airport expands in the future, any newly acquired land will need to be

[6] Designation 64 Airport Purposes

included in the overlay envelope. If the projected growth demand is realised, consideration to rezoning the site to a mixed use type zone should be given to elevate the strategic significance of the Airport.

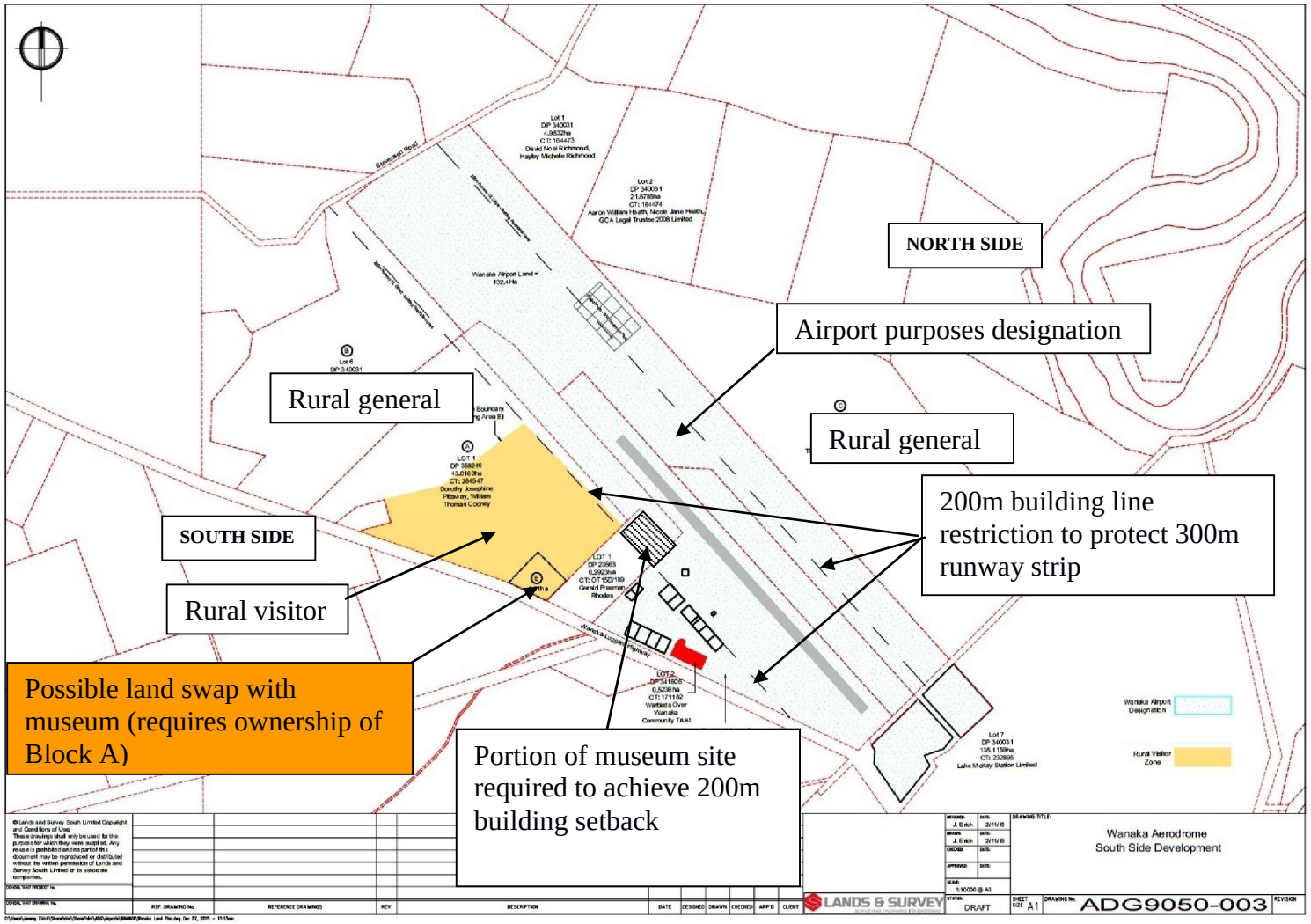
The QLDC planner's advice is to incorporate this into a wider review of zoning on the expanded land the airport needs to allow for normal airport uses as part of the current District plan review.

The existing strip of airport land on the north side (Block C), that is not required if expansion is to the south, could possibly be rezoned rural visitor or other zoning appropriate to the original Windemere Aeropark concept. However it is understood there are visual amenity concerns if tall developments occur in this area.

9. North or south side development?

Table 1 sets out the pros and cons of north versus south side development. Our conclusion is that south side development will serve the airport's needs much better in the long term. Accordingly, we recommend acquisition of the Pittaway block by the Airport, and negotiation with the museum owner over a land swap to enable the north part of that site to become part of the airport.

Figure 4: Existing zoning



10. Ten year business plan

10.1. Current situation

Summary of assets

The Airport property consists of 132.4ha of land under designation by QLDC. A block of 0.52ha, owned by Warbirds over Wanaka Community Trust, exists as an "island' in the centre of the Airport land-side estate. This site has the Warbirds hangar, shop and cafeteria on it. Access is by informal arrangement with the Airport and is currently not charged for. The main airside assets are the runway taxiway and apron areas the details of which are included in the Master Plan.

Upgrades over the years have been to cater for increases in services levels. These have included parking, roading, landscaping, fencing and upgraded utilities including potable water supply.

Some landside buildings are airport owned and areas have been set aside for future terminal development. There are two open areas providing access to the apron.

Apart from this the main infrastructure is roading, parking and lighting.

Support facilities and equipment are commensurate with a non-certificated airport and include vehicles. A Category 4 Rescue Fire appliance is being provided by QAC on loan over the summer months.

Very little land remains on the existing south side site that is suitable for redevelopment. However there is approximately 17ha of land on the north side envisaged for airport hangar developments in the 2008 Master Plan.

Income, expenses, P&L

In the financial year (FY) ended Jun 15 the Airport had a gross revenue of approximately $472,000 and EBITA of $237,000.

In the last FY to 30 Jun 15, income from landing fees (aeronautical income) made up 39% of total revenue and ground leases (non-aeronautical) made up 55%. Frequent scheduled air transport services from heavy aircraft (50 plus seats) would be required to significantly lift aeronautical revenue. A twice daily service of a 50 seat aircraft would increase annual landing fee income by about 80%. It is very difficult to gather significant revenue from general aviation operations, most aircraft

being charged only $10-$15 per landing, equating to 26-40 extra landings per day to achieve the same 80% increase.

Warbirds over Wanaka contributes $25,000 every 2 years paid by the organiser to the Airport in the form of an access fee. Associated costs and any damage are paid by the organiser.

The Airport currently has 34 sites totalling 35.4ha under lease at an average of $6.75 per sq. m giving a gross income of approximately $258,400. We understand the leases reviews were last done about 3 years ago and current market rates should be closer to $10 per m2 which would provide an increment of $115,000 pa or approximately 44% additional gross revenue.

A review of all leases and user fees should be undertaken every two years to ensure maximum revenue generation and currency, and should include an element to recover a portion of the airport operating costs, if allowed under the leases in place.

Landing fees were last reviewed about five years ago and are less than half those in place at Queenstown Airport.

Operating costs

Airport operating funds are currently used to cover the day-to-day operation of the Airport facility. In the last two years the airport has had annual EBITDA of $225-$235,000. With net assets of about $900,000 and long term internal debt of $789,0000 the Airport currently has insufficient equity and leverage to fund a large asset purchase or major maintenance. For example, the runway resealing in 2008 was funded by an internal loan from QLDC.

Since 1999 QLDC has “ring fenced” surplus revenue for airport improvements and this has largely funded airfield development since then.

Administration, professional services and corporate costs account for approximately 70% of annual expenditure. Airfield maintenance and services have been about 30% of total costs over the last two years.

10.2.Growth opportunities

We believe there is considerable opportunity for Wanaka Airport to grow its aviation activities revenue. The Airport's competitive advantages are:

- Proximity to Queenstown making its use as an alternative airport viable.
- Aerodrome environment much less challenged by terrain than Queenstown, allowing a wider range of aircraft to operate in adverse weather conditions.
- Local attractions, residential development and a choice of rest homes making Wanaka a desirable place to live and retire to.
- Uncrowded airspace and minimal incompatible surrounding land use.
- Very scenic flying environment.
- Increasing tourism and aircraft charter opportunities.
- State highway frontage with nearby catchment
- Existing demand for hangar sites and, from overseas persons, semi-residential premises for use for part of the year.

Revenue enhancements

Revenue enhancements by way of increased landing fees and a more realistic rental income improve the airport finances to an extent that provides for a reasonable surplus before depreciation and interest costs.

The financial forecast extrapolates growth on the existing base model of operations that exist today. We believe these targets are realistic.

Discrete specialist developments such as a NASA facility and aviation servicing companies will provide improved revenue streams in an environment that is a natural attractor. None of these facilities will be available to be established at Queenstown airport due to operational and airspace constraints.

These and other revenue opportunities are described below.

Property

As described in Section 5 the Airport currently has firm requests for 12 new sites and this can be expected to grow steadily in line with general aviation (GA) growth rates and the increasing attraction of aviation minded people to the area as a lifestyle choice.

Employment on site has increased from about 80 in 2009 to 200 today. Increased employment will also drive demand for sites as existing businesses expand and new one set up.

We see greatest value in a land development model where the Airport retains freehold ownership of the site and builds facilities “on order” to a uniform design and construction standard to meet lessees' (reasonable) requirements. In return lessees would commit to usual commercial property rental terms and conditions.

We believe this “walk in build to measure option” for airport businesses will provide a much better return for the Airport in the long term with the inflation value increment falling to the airport balance sheet. Currently this increment in value accrues to the building owner not the airport. While a developer may be looking at a 20% return, the rate of return for buildings on already consented airport land is approximately 12-13%. While a speciality build such as the proposed NASA building may attract a return of around $400m2 the normal return for a business park building is $190-$220 m2 (including land) with a build cost of around $2000m2.

Providing the appropriate rate of return and discounted cash flow is positive then each development stands on its own as an earning asset.

NASA

The opportunity NASA presence gives for the Airport and Wanaka itself is immense, particularly as its activity in late summer coincides with the summer visitor season. A very visible NASA presence from SH6 would attract more visitors to the airport and increased activity for the Airport's tenants that rely of tourist traffic.

Internet

The high speed and capacity Internet link to the airport, funded by NASA, also creates benefits and opportunities for the Airport tenants. Extension of the Internet access to all new sites should be provided for along with other services. The ownership of the Internet access point and its funding should be investigated. Currently it is understood NASA fund

access 4 months of the year at a cost of around $4200/mo. and the rest of the year it is turned off. It may be a revenue stream for the Airport to pick this up and on-sell to tenants who specifically require speed and capacity.

Landing fees

We believe there is scope for landing fees to increase, both in quantum given there has been no increase in 5 years, and with growth in movements. A 15% catch up in the next year and 3% growth per year ongoing should be the minimum achievable. This would provide a revenue increase of $90,000 over 10 years.

The landing fee structure is very attractive to larger air transport operators, being a half to a third of rates at Queenstown Airport, an advantage of about $5-6 per seat on a 50 seat aircraft. In addition the lack of air traffic control also reduces costs for air transport but this may not be sustainable if the airspace risk increases significantly resulting in the CAA requiring a form of Air Traffic Service[7]. This would have a dual benefit of reducing non-RNP demand at Queenstown and diverting it to Wanaka.

Aircraft parking

Aircraft parking capacity at Queenstown is currently very limited. While achieving QAC's desired outcome on “Lot 6” (still before the Court) will provide more space for high value corporate jet parking, even that may be inadequate in the longer term given recent increases in demand. Aircraft parking charges for corporate jets at Wanaka are currently 40% of those at Queenstown and for smaller aircraft are as low as 25%.

Air transport services

The key to successfully attracting and retaining air transport services is; operator quality (reliability, standard of aircraft, and safety record), effective marketing and distribution, competitive fares and the ability to build volume. Previous services with 19 seat aircraft suffered from lack of frequency and high per seat operating costs resulting in uncompetitive airfares. A single destination of Christchurch was probably also a factor post earth quake.

If air transport services could be developed to (for example) four landings of 50 seat (circa 18,000kg) aircraft per day in the longer term, the increase in landing fees would be

[7]As happened at Paraparaumu with the introduction of Q300 services there. CAA required a Flight Information Service to be set up, provided by Airways Corporation. Airways are currently refining this model to minimise costs for users while maintaining a suitable standard of service.

approximately $300,000 per year. The demand for air transport services will be driven by:

- local population growth
- increased "knowledge" and service based industries
- increased tourism especially ski fields and adventure activities
- displacement of operations from Queenstown Airport.

The use of 50 seat aircraft (such as the Bombardier Q300 operated by Air New Zealand) would substantially reduce ticket prices compared to the B1900.[8] These aircraft could operate from the existing runway length subject to the provision of runway end safety areas. These would be relatively easy to provide to the minimum 90m.

Destinations tend to be limited by the flying range of turbo-prop aircraft which, rather than jets, are best suited to the existing runway length. The growth of Christchurch as the rebuild gathers momentum will make this an increasingly attractive link. However the issues are whether the market can support a year round operation, adequacy of local demand, new destinations and return on investment for airport facilities required.

A viable development model could be to start with seasonal charter flights, as Queenstown did with trans-Tasman winter ski flights services. As well as Christchurch, Wellington and Palmerson North could have good demand from skiers.

While the Air New Zealand services by 19 seat B1900D aircraft were accommodated using the existing Aspiring Air facility this is very small and a modest terminal building would be required for scheduled passenger flights by larger aircraft. For this reason we recommend a provision in the capital budget.

Runway lighting may substantially boost demand as, due to airborne equipment limitations, it is not expected night landing capability at Queenstown will be generally available for turbo-prop aircraft in the foreseeable future.[9] Unlike Queenstown, the terrain around Wanaka airport will potentially allow a range of aircraft to operate at night.

The possibility of night operations, for example air ambulance or ski charters, should be

[8]A recent study by Astral and Market Economics found the Q300 to be over 20% cheaper to operate on a per seat basis than the B1900D.

[9] Night take offs and landings (i.e. within the permitted operating hours of 10pm to 7am) at Queenstown Airport require aircraft to be equipped for "RNP" navigation capability. To date night operating approval effort has focused on 737/A320 aircraft. Astral understands the Air New Zealand ATR72-600 aircraft will have basic RNP (RNP 0.3nm) capability by 2017, however it is not certain if the basic level will be adequate for night operations.

kept in mind.[10]

Most air transport aircraft can use the existing RNAV(GNSS) approaches at Wanaka without requiring ground based navigation aids.

10.3. Proposed 10 year objectives

Infrastructure and CAPEX plans

A proposed infrastructure plan and associated capital programme has been developed aimed at providing key assets such as:

- Potential runway and apron expansion
- Provision of a terminal building or fixed base corporate aircraft facility similar to that provided by Queenstown's sister city, Aspen Colorado.
- Expansion of vehicle parking
- Provision for a building to cater for NASA (or other aeronautical/aerospace research organisation's) future needs
- Provision for general aviation hangars
- Provision for aviation business office/workshop development (e.g. aircraft servicing)
- Upgraded sewer, potable and storm water, phone, data and power utilities

In summary the plan calls for a total CAPEX of $15.5m over 15 years.

Revenue Growth

In the proposed plan, revenue growth will come from increases in (% over 10 years):

- Landing fee increases (45%)
- Scheduled air transport operations (100%)
- Increased land leases (66%)

[10] Currently the Wanaka "Airport Purposes" Designation contained in Section E of Appendix 1 to the QLDC Operative District Plan does not permit operation of aircraft at the airport between 10pm and 7am, except emergency flights.

- Increased sundry income (aircraft parking, internet provision etc.) (30%)
- Total (43%) revenue increases from $472k (2015) to $675k in 2026.

Capital Funding Sources

Even with modest revenue growth and conservative expenditure increments year on year, the surplus before depreciation and finance costs is not sufficient to sustain the annual Capex wish list without the introduction of capital. While the airport asset remains within Council then funding will remain as an increment to Council borrowings. If the option is to incorporate Wanaka airport within the QAC then funding will fall within the company balance sheet and be funded accordingly.

Without this capital introduction, the annual enhanced revenue surplus could sustain between $1m and $2m of borrowings for development at 5%.

The governance model for Wanaka airport in the future is discussed in the following section, however we believe QAC should give consideration to becoming the commercial developer for hanger and aviation related investments. The returns from these investments would then remain 'in house' plus provide a return by way of the dividend paid to QLDC from QAC. The alternative is that a partner would be required to become the commercial developer.

With careful treasury and financial management along with a signal to Wanaka airport users that a more reasonable return on investment is required by the owners a substantial number of Capex investments can be achievable. All of this pre supposes that there will not be regular passenger operations or charters in the near future. If these were to return, then the revenue picture is enhanced along with the incremental activities that would ensue.

11. Future ownership, governance and management

11.1. Governance history since 1990

Wanaka Airport's original ownership model endures today with the land ownership vesting with QLDC.

The airport languished in the 70's and 80's supporting helicopter deer recovery and some fixed wing tourist operations. Alpine Deer Group was the main player and contributed significant day to day 'management'.

Sir Tim Wallace had a vision for the airport through his business acumen and enthusiasm for vintage aircraft which culminated in the Warbirds over Wanaka.

Various land purchases, swaps and vesting has provided the land ownership of today.

Sir Tim became a Director of the QAC and until the time of his accident was the touch point for the airports operations in Wanaka along with day to day management by the then QAC General Manager.

The airport thrived with a business model applied to rentals, licences and landing fees, all being properly accounted for. Development of new businesses, roading, hangers and utilities saw the airport begin to grow. This model also incorporated an element of capital provision which was carried in a separate QAC ledger at the time.

Given the now evident potential financial contribution it was decided by Council that the airport could be run back under Council control. A Wanaka based Council committee was set as well as an airport management committee. An Airport Manager was appointed and the income stream (and expenses) were received direct by Council. The handover included a financial wash up with no benefit to QAC.

QAC handed over control and maintained a watching compliance brief.

After several years for various reasons including lack of the right local governance skills, enthusiasm, and Council focus at the time, QLDC requested QAC resume management. This was by informal arrangement for some time and a more formal agreement was with a modest management fee has prevailed since.

The Wanaka Airport Corporation Ltd was incorporated at the same time as QAC in the early 1990's but little was done to transfer the Council's Wanaka assets into the Company.

The shell company endured for some years until the Council requested it be voluntarily struck off in the late 90's.

Since then some of the airport land has been taken over for Council utility projects, notably Project Pure.

11.2. Existing governance and management arrangements

Governance responsibility currently rests with QLDC. Day to day management is done by QAC under the original 2009 five year management agreement. Under the agreement, which does not appear to have ever been signed:

- QAC employs the staff and receives a management fee. It administers debtors and creditors and co-ordinates projects as well as CAA compliance and day to day management.
- QLDC funds planning and capital projects.
- The airport authority lies with Council who assumes the ultimate liability to comply. QAC agrees to run the airport in an efficient and compliant manner ensuring performance of a variety of tasks listed in the agreement against performance indicators.
- Management fees have been invoiced at $70,000 (2013/14), $110,000 (2014/15), $158,500 (2015/16). Included in this fee are direct costs such as website hosting fees, subscriptions, telecommunications charges, insurance costs.

Within QAC the management functions have been undertaken according to the nature of the function i.e. accounting by Finance, compliance by Operations and Rescue Fire, property management by Property and governance by various reports to the QAC Chief Executive. There has not been a person wholly dedicated to Wanaka Airport within the QAC team.

We are advised that more recently QAC has become heavily involved in strategic planning and regulatory planning activities. However, these functions are not contemplated, or compensated, by the current management agreements. The lack of compensation is a disincentive for QAC to dedicated the time required to capitalise on the opportunities presented at Wanaka Airport.

The Airport Manager works full time to keep on top of the workload and retains most of the institutional knowledge. Despite the recent addition of a part time administrator to assist it is clear from observation that most of the Manager's time is spent dealing with immediate issues. Despite this the airport is run well and compliant but thin on the ground with no room to think about, plan or action future development projects.

Similarly, responsibility for the Airport within QLDC appears to be very fragmented and the strategic value of the airport asset is at risk of being lost through this and high staff turnover with little institutional knowledge. Recently QLDC Infrastructure has become more involved and is understood to be preparing an asset management plan for the airport. Major infrastructure projects such as sewage and water reticulation are now included in Council's 10 year plans, but the process for this appears to be very ad hoc and subject to arbitrary decisions.

It is understood QLDC and QAC commenced a discussion on compensation for management services in 2013/14. This conversation is ongoing, with the Mayor specifically requesting that an option be presented of what might be able to be delivered for a reduced management fee. This directive appears to be at odds with the increasing management workload.

It is clear to us that effective long term planning for the airport has languished as there is no specific responsibility and budget for it. We recommend that this is addressed urgently.

11.3.Alternative governance and management models

In considering changes to the governance and management structure the following issues are relevant:

- Strategic planning and Master Planning
- Management of the planning framework (e.g. outline plans and resource consents)
- Asset development and funding
- Asset values to take over and effect on balance sheet
- Funding
- Effect on management and ability to govern
- Retention of local control
- Treaty settlement issues

- Regulatory compliance
- The need to manage Wanaka and Queenstown Airports in a complementary not competitive way.

Table 3 shows the various options identified and their advantages and disadvantages summarised.

Further comments on the options are:

Options 1 and 2

On balance we consider neither Option 1 or the status quo (Option 2) is appropriate to provide the strategic benefit to the region and community the airport is capable of achieving. We are particularly concerned that Option 1, which devolves responsibility to QLDC for all but day to day operational management and CAA compliance will greatly disadvantage the Airport due to fragmentation of responsibility within Council and lack of institutional knowledge. In all cases we are aware of where the Airport is totally or largely under the control of a Council, there is an individual senior manage in Council with the identified responsibility for the Airport.

In particular, should the airport become certificated, which is would be required for air transport operations by aircraft with 30 or more seats, CAA Rules require an individual to be nominated as the Chief Executive. This person holds the ultimate accountability for the airport and for ensuring the adequacy of safety compliance and funding. Clearly under option 1 this could not be an individual in QAC as QAC would not have control of funding and if in QLDC the person would have to be at a sufficiently senior level in Council to have the required authority over funding and delegated tasks. Given the fragmented governance of the Airport to date within QLDC and the staff turnover this seems to us problematic.

Option 3

Option 3 effectively retains the status quo but incentivises QAC to focus more on the profitability of the Airport by giving it a profit or revenue share. However, given Wanaka's relatively low profit and its need to reinvest profits to fund development any incentive to QAC may be very small and ineffective.

Table 3: Governance and management options

Option	1	2	3	4	5
	Reduced QAC Management	**Status Quo**	**Status Quo with Revenue Share Option**	**Separate Company with Board (i.e. Separate CCTO)**	**Merge with QAC**
Description	Reduce QAC's Management to delivery of Operational and Compliance services only	Retain current management arrangements	Retain current management arrangements but recognise QAC's drivers and motivations as a commercially focussed organisation by a "profit / revenue share" option	Create a separate company with separate board	Merge Wanaka Airport assets with QAC. Alternatives could include a long term lease of QLDC assets.
Underlying Asset Owner & Authority	QLDC	QLDC	QLDC	New CCTO	QAC
Manager	QLDC / QAC	QAC	QAC	QAC	QAC
Compensation Arrangements	$110,000	$158,500[11]	Management Fee + Revenue / Profit share	TBC	n/a
Pro(s)	Concentration of QAC management time on QAC activities which will result in direct efficiency and revenue improvements to QAC.	Maintaining management activities, maintaining strong relationship with QLDC and retaining the ability to influence direction	Public perception of value for money	Separate structure will focus on driving the business forward and capitalising on opportunities.	- Subsidiary of QAC with same or separate Board is simple - Retains growth potential within QAC - An already strong QLDC appointed Board with established relationships - Strong balance sheet, can fund development - Governance & management systems in place - Already meets Councils objectives - Meets the strategy aspirations of Council and the QAC into the future - District ownership with a proven corporate

[11] This is the currently invoiced amount but we are advised the cost incurred by QAC is significantly greater.

Option	1	2	3	4	5
	Reduced QAC Management	**Status Quo**	**Status Quo with Revenue Share Option**	**Separate Company with Board (i.e. Separate CCTO)**	**Merge with QAC**
					return by way of increased dividends - Facilitates growth aspirations under one structure. - Proven ability to manage such a facility. - Integrated asset management
Con(s)	Less involvement in activities not associated with operational or compliance activities could result in inability to influence the direction of the development of Wanaka Airport	Not fully compensated for all activities undertaken. Inability to effectively contribute to moving Wanaka Airport forward (time / resource constraints)		Unnecessary cost of dual governance No perceived appetite for Wanaka asset self-governance Level of service and income does not warrant own individual organisational structure	- Potential resistance from lease/licence holders and operators to increases in fees in order to match development aspirations - A perceived profit ahead of outcomes for the Wanaka community - A treaty claim may be triggered depending on method of transfer (Legal opinion to be obtained) - QLDC does not pay tax on Wanaka Airport income if received directly

Option 4

This option sets up Wanaka Airport as a separate Council controlled company, as was envisaged when QAC was incorporated in the early 1990s. It has the advantage of a Board of Director who have a fiduciary duty to consider what's best for the Airport ahead of any related party interests. We believe this would give the degree of focus required to drive the strategic direction of the Airport.

The Airport would remain owned by QLDC but we envisage the Board of Directors would be made up of two senior QLDC executives (GMs Infrastructure and Finance are suggested) and two QAC executives (GM Aeronautical and Property). An independent Chair would be appointed. It is suggested QLDC and QAC could waive Directors fee to minimise costs. The appointment of QAC Directors would be on the basis that QAC held the airport management contract. The Regulatory Airport chief executive would logically by either QAC GM Aeronautical or Property, making that person effectively the Managing Director.

This structure has the advantage of retaining asset ownership 100% within QLDC thereby not triggering any Treaty claim process. It also provides a development opportunity for senior QLDC and QAC managers to obtain governance experience.

Option 5

This involves sale of the Airport to QAC which, while effectively retaining Council ownership though Council's 75% ownership of QAC, would vest 25% in the minority shareholder, Auckland International Airport. Under this model Wanaka Airport could be completely integrated into QACs operations or could be held as a wholly owned subsidiary with its own Board of Directors. It has the advantage of integrating asset control and management with day to day operations under one organisation and would ensure governance and management of the two facilities is a complimentary way.

This option would also integrate Wanaka's capital funding in with that of Queenstown Airport, and provide Wanaka with access to funding on commercial terms.

Possible disadvantages of this option are the requirement for a return to the shareholder on the Airport asset rather than the ring fencing of profit for reinvestment in the Airport that occurs now, and the Treaty claim process that could arise from sale of the airport to a non-Government entity. This issue requires a legal opinion to clarify the implications.

Conclusions

We believe either Options 4 or 5 are likely to be best in ensuring Wanaka Airport achieves its long term strategic potential while retaining local control and ownership. We recommend that these options are studied further and discussed between QLDC and QAC as appropriate.