



Queenstown Airport Corporation Ltd

Statement of Intent 2020-2022

DRAFT February 2019

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Introduction

As a Council-Controlled Trading Organisation, Queenstown Airport Corporation (QAC) is required under Section 64(1) of the Local Government Act 2002 to prepare an annual Statement of Intent (SOI) for Queenstown Lakes District Council (QLDC) before the start of each financial year. The SOI sets out the strategic priorities that QAC intends to achieve or contribute to for the next three years as well as its activities and budget for the next financial year. The SOI takes shareholder comments into consideration and provides performance targets for organisational accountability.

About Us

Queenstown Airport Corporation

QAC is considered an 'Airport Authority' under the Airport Authorities Act 1966 and is required under this legislation to operate and manage its airports as commercial undertakings, including carrying out improvements where necessary.

QAC was incorporated in 1988 and since then has been responsible for the management and development of Queenstown Airport, striving to deliver an operationally safe and efficient airport with world-class facilities and an outstanding customer experience that reflects the best of the region.

In 2009, QAC was engaged by QLDC to manage Wanaka Airport's day-to-day operations. After a public consultation process in 2017, QLDC granted QAC a long-term lease for the management, planning and future development of Wanaka Airport. The 100-year lease commenced on 1 April 2018.

QAC also provides property maintenance services at Glenorchy Airstrip on QLDC's behalf. In 2018, QLDC and QAC agreed in principle that, subject to agreeing appropriate terms, QAC would provide a broader range of management services at the airstrip. QAC is a founding member of the Glenorchy Airstrip Consultative Governance Committee.

QAC comprises approximately 70 staff who reside across the Southern Lakes region and represent diversity in all forms, including age, gender, sexual orientation, nationality and work experience. The current female/male ratio is 50:50 in senior management and 47:53 across the QAC team.

The Company is governed by an independent Board of Directors and owned by two shareholders:

- 75.01% by the Queenstown Lakes District Council (QLDC); and
- 24.99% by Auckland International Airport Limited (AIAL)

Queenstown Airport

As New Zealand's fourth busiest airport, Queenstown Airport is a strategic national and regional asset which contributes to the vibrancy and prosperity of New Zealand's economy, its tourism sector and the regional communities served by the airport. More than 60 businesses and 700 people work across the airport precinct providing a broad range of services.

The airport provides a domestic and international entry point to Queenstown, one of the world's premium visitor destinations, and direct access to the Southern Lakes region which is home to some of New Zealand's most iconic scenery and experiences.

Residents and visitors, domestic and international alike, have access to daily air services to/from Auckland, Wellington and Christchurch, as well as direct trans-Tasman services to east coast Australia through the ports of Brisbane, Coolangatta, Sydney and Melbourne. Auckland and Sydney airports are the major international hub airports for long-haul travel.

Queenstown Airport is also a base for various general aviation activities, including flightseeing and other commercial operations, search & rescue, life flights and other emergency services. It is New Zealand's busiest helicopter port and a popular choice for private jet customers who reside in or visit the region.

Wanaka Airport

Wanaka Airport is a general aviation airport with nearly 300 people working across 11 businesses. These include flightseeing, flight training, helicopter maintenance, skydiving, private recreational aviation and attractions. Since 1988, Wanaka Airport has been the home of the Warbirds over Wanaka air show. In 2015, the airport joined a select group of NASA global test sites for its scientific space balloon programme.

Company Value

As at 30 June 2018, QAC's land, land improvements and buildings were valued at \$332 million and included 137.6ha at Queenstown Airport and 282.4ha around Wanaka Airport. QAC's estimated enterprise value, as adopted by its Board of Directors in June 2018, was in the range \$466 million to \$483 million. This valuation was supported by an external valuation by Northington Partners.

Situational Overview

Worldwide demand for air travel continues to grow, with the International Air Transport Association forecasting that the number of airline passengers will reach 8.2 billion in 2037 based on a 3.5 percent compound annual growth rate.

New Zealand has never been better connected globally and while it is considered a niche visitor destination due to its remote location, the effects of several consecutive years of significant residential population growth increasing domestic travel and strong international visitation are now being felt across the country. Visitor growth has been primarily driven by increases in domestic and international air capacity, competitive pricing and New Zealand's reputation as a beautiful, safe and friendly destination which offers world-class experiences. The Southern Lakes region in particular is considered an attractive place to live, work and play with strong visitor demand and a residential population that is growing at a higher rate than most of the rest of the country. Businesses, large and small, are also investing in expanding and diversifying their product offerings. Tourism remains the primary business sector in the region and over the past year various tourism operators have announced major expansion plans of more than \$200 million. A further \$900 million worth of infrastructure projects which support tourism are also underway, particularly in Queenstown.

Queenstown and Wanaka airports are part of a national network of critical infrastructure assets which connect residents and visitors to the Southern Lakes region. QAC is responsible for managing these strategic assets on behalf of its two shareholders to ensure they are financially viable and sustainable, generate appropriate returns on assets, and contribute to the region's economic development and the wellbeing of its communities. To achieve this, we must continue to plan long-term for sustainable growth and appropriately invest in infrastructure ahead of the curve to maintain the highest levels of safety, efficiency and customer service.

While we continue to shape our long-term plans, we are conscious that we need to manage future airport growth in a sustainable manner. Our ongoing work with, and support of, the communities across the Southern Lakes region is underpinned by a mindfulness of our social licence to operate and a commitment to social, economic and environmental sustainability. We are committed to being a good neighbour and working with others to align long-term planning initiatives address destination infrastructure constraints and find solutions to local social issues.

We believe both Queenstown and Wanaka airports need to reflect our guiding principles (sustainable, affordable, adaptable and memorable). They should also have a distinctive character representing the DNA of the communities they serve.

The feedback we received from our regional communities and other stakeholders on the master plan options and the proposed changes to the current air noise boundaries for Queenstown Airport over the past 18 months has been helpful in informing our future development plans. We recognise that this work cannot be done in isolation and requires close and constructive engagement with a broad range of stakeholders, including our communities, business sector, airport communities, staff, shareholders, airline customers, government, and iwi. As we progress the master planning for Queenstown and Wanaka airports, we will continue these conversations and consider the outputs of other planning initiatives to ensure alignment. We will also continue to work closely with the airports in the broader region, including Invercargill and Dunedin airports, to explore joint opportunities in the areas of health, safety and security, operations, sustainability, and supporting strategic regional tourism initiatives.

Ultimately, we aim to bring the long-term planning for Queenstown and Wanaka airports together to present a dual-airport proposition which will support and provide value to the communities we serve. This planning will establish a roadmap for sustainable airport growth, including infrastructure development, noise planning and transport connectivity. It will also complement regional planning for transport, accommodation and other infrastructure developments.

In the transport connectivity space, we continue to focus on airport-specific initiatives to enhance customer choice, such as using technology to create an innovative and stress-free carparking experience and providing infrastructure for electric vehicles to help reduce our carbon footprint. As an active member of the Regional Transport Governance Group, we are also working closely with QLDC, ORC and NZTA on short, medium and long-term solutions to improve regional transport connectivity. These include infrastructure, public transport, mass transit options, and demand management solutions that encourage a shift towards more sustainable transport modes and lower reliance on private vehicles.

Groundwork is now underway as part of the master planning process at Wanaka Airport to understand the footprint - from the airspace to underground - to see what is possible and how we can deliver an airport that supports a diverse economy, innovation and sustainability.

Ongoing investment is needed at Queenstown Airport to maintain and expand terminal infrastructure and enhance the customer experience. A key priority over the next two years will be working with our airport stakeholders to deliver a programme of initiatives which will improve resilience and increase capacity within the current terminal footprint to provide for a modest level of growth.

We will need to manage growth to ensure compliance with our noise boundaries, which we expect to reach within the next three years. We have increased the frequency of our noise monitoring programme and are working closely with our airline customers to manage the rate of growth via flight schedules and route planning. Over time, capacity will be constrained at Queenstown Airport if the noise boundaries are not expanded, with the expected effects being more limited flight choices and other changes in commercial behaviour.

Recent market trends and insights indicate that there could be some headwinds on the horizon for New Zealand's aviation and tourism sectors. We are therefore taking a prudent approach and working closely with our partners to monitor these trends so that we can adapt quickly and effectively in any business environment.

Purpose and Priorities

Connecting people through our infrastructure and helping to sustain the Southern Lakes region is at the heart of our business. Everything we do to achieve this is underpinned by our core values and guiding principles.

QAC as an organisation has grown, particularly over the past five years, to support the rapid growth across the communities we serve. With the responsibility for managing and developing both Queenstown and Wanaka Airports, it is critical that QAC’s organisational structure effectively supports the dual-airport business model.

As we work through the master plans for Queenstown and Wanaka airports, we will be looking to integrate all aspects of our business, with the aspiration that the airports managed by QAC are recognised as innovative and representing the best of their regional communities. This reflects our desire to be:

- Innovative in our thinking, planning, processes, technology, resourcing and infrastructure development
- Integrated as one team which manages both airports whilst preserving their unique DNA and connecting them to their communities
- An outstanding first and last impression of the destinations represented by the airports, reflecting the best of the region in our people, customer offerings, infrastructure and sustainable practices.

Our direction of travel is reflected in the strategy house below which sets out our aspiration, purpose, major streams of work or themes, and key priorities. The four themes identified are common goals which help us focus our efforts across the organisation. These have been further distilled into priorities against which we measure our performance.

In the following section ‘Priorities and Performance Metrics’, the priorities are matched with performance metrics and targets to provide accountability and measure our success each year.



Priorities and Performance Metrics

Making journeys safe, efficient and friendly for our customers		
Priorities	Performance Metrics	Performance Targets
Ensure a safe, secure & compliant airport environment	• Lost Time Injuries	• Zero
	• Near miss reporting	• 10% > FY19
	• CAA security audits	• Compliance Achieved
	• Critical risk factors identified, evaluated and controlled	• Ongoing
	• Annual environmental baseline monitoring and reporting process embedded – energy, water, waste, soil, air, and noise	• TBC by final SOI in June 2019
	• Increase noise monitoring frequency from 3 yearly to annually, to manage growth appropriately and to ensure compliance with our noise boundaries	• Annual
	• Work with airport stakeholders on carbon footprint reduction measures	• Ongoing
	• Increase operations control room staffing to 16 hrs/7 days a week	• Dec 2019
	• Drone reporting/compliance and public education programme	• Ongoing
	• Frontline staff complete customer service training programme	• 100% completed by Jun 2020
Develop a capable, skilled & engaged customer-centric team	• Customer Satisfaction surveys	• 4.1 out of 5 satisfaction
	• Unit Standard-based airport operations diploma established and rolled out to all Operational staff as a minimum standard	• Jun 2020
	• Deliver the Queenstown Airport Pathway Programme:	• Within two financial years
Deliver infrastructure & services in line with customer demand	Additional BMU capacity planned and delivered	• Jun 2020
	• Implement Aviation Security-regulated body scanners in conjunction with smart lane technology	• Jun 2020
	• Departure lounge capacity increase	• Jun 2020
	• All airlines move to self-service kiosks	• Dec 2019
	• Airline and agency administration space, and utilities are delivered to meet capacity requirements	• Jun 2021
	• Overall seismic compliance enhanced to 70-100% of New Building Standard (“NBS”)	• Dec 2021
Build business & operational resilience	• Create a back-up potable water supply for ZQN	• Jun 2020
	• Virtual infrastructure replacement completed and commissioned	• Jun 2020
	• Emergency management response training for all staff	• Maintain 100% Operations staff
	• Business Continuity Plan enhanced, trained and tested	• Jun 2020
	• Establish GA strategy to help inform both the ZQN and WKA master plans	• Jun 2019
Enable diverse general aviation activities	• Warbirds Over Wanaka agreement completed	• Jul 2019
	• Formal management agreement in place for QAC to manage Glenorchy airstrip on an ongoing basis	• Dec 2019

Providing value and memories for our customers		
Priorities	Performance Metrics	Performance Targets
Provide innovative & valued customer offerings	• Appropriate mix of local owner-operators and national brands within both airport precincts	• Ongoing
	• Growth in commercial revenue as per financial forecast	• 2019-2021
	• All advertising assets are operational	• Dec 2019
	• Increase real-time customer data delivery	• Jun 2020
Deliver an outstanding park-to-plane experience reflecting the best of the region	• Establish new customer satisfaction measurements for self-service check-in experience with our airline partners	• Dec 2020
	• Establish new customer satisfaction measurements for security screening with AVSEC	• Jun 2020
	• Targeted rate of customer satisfaction achieved for car parking and ground transport	• 3.5 out of 5 satisfaction
Ensure connecting transport solutions enhance the customer experience	• Coordinated and planned approach with our transport partners (QLDC, NZTA and ORC) to achieve enhanced airport, local and regional connectivity – particularly through the master plan processes for Wanaka and Queenstown Airports	• Ongoing
	• Share insights and datasets with our transport partners to help inform decision making for transport decisions and proposals	• Ongoing
	• Deliver ground transport technology solutions such as online parking at terminal, electric charging stations and licence plate recognition in line with infrastructure upgrades	• Dec 2020
Embrace & showcase our cultural heritage	• Develop a heritage management plan for QACs heritage assets	• Dec 2019
	• Implement key actions identified	• Jan - Dec 2020
	• Provide updates twice a year on integrating our aviation heritage, national and regional culture, and Te Reo into planning, appropriate projects, staff training and storytelling	• Feb and Aug each year

Making sustainable use of our land and respecting our unique environment

Priorities	Performance Metrics	Performance Targets
Create & optimise our land and air footprint to facilitate future growth	<ul style="list-style-type: none"> Continue to actively participate in QLDC’s Proposed District Plan process to ensure ZQN and Wanaka airports’ planning framework is appropriate to meet their strategic goals, and that the effects of reverse sensitivity are managed. 	<ul style="list-style-type: none"> As per QLDC timetables
	<ul style="list-style-type: none"> Determine the appropriate land use for each airport based on master planning outcomes and develop a programme to achieve these requirements through the relevant RMA processes. 	<ul style="list-style-type: none"> Jun 2020
	<ul style="list-style-type: none"> Secure appropriate consents required for ZQN and WKA airports as part of the master planning process 	<ul style="list-style-type: none"> Jun 2020
	<ul style="list-style-type: none"> Complete the Public Works Act (PWA) acquisition of “Lot 6”. 	<ul style="list-style-type: none"> Dec 2019
	<ul style="list-style-type: none"> Acquire any land or property required to enable the development of the agreed ZQN and WKA master plans 	<ul style="list-style-type: none"> Jun 2020
Develop complementary master plans to support the dual airport model	<ul style="list-style-type: none"> Develop a spatial master plan for Wanaka Airport 	<ul style="list-style-type: none"> Dec 2019
	<ul style="list-style-type: none"> Develop a preferred master plan option for Queenstown Airport 	<ul style="list-style-type: none"> Dec 2019
	<ul style="list-style-type: none"> Refine the Queenstown Airport and Wanaka Airport master plan spatial planning 	<ul style="list-style-type: none"> Jun 2020
	<ul style="list-style-type: none"> Following the confirmation of the preferred option for Queenstown Airport, deliver the next level of detail – a “Terminal Development Plan” 	<ul style="list-style-type: none"> Dec 2020
	<ul style="list-style-type: none"> Continue to engage with the community throughout the master planning process 	<ul style="list-style-type: none"> Ongoing
Develop land holdings to optimise return on investment & support long-term growth	<ul style="list-style-type: none"> Clarify any land available for lease, tenure available and day-to-day management of airport land and assets 	<ul style="list-style-type: none"> Dec 2019
	<ul style="list-style-type: none"> Following the confirmation of preferred master plans, and the successful acquisition of ‘Lot 6’, commence the planning of the General Aviation precinct 	<ul style="list-style-type: none"> Dec 2020
Manage our impact on the environment & community in a sustainable way	<ul style="list-style-type: none"> Noise mitigation works completed on all current inner and mid sector homes who have accepted mitigation offers 	<ul style="list-style-type: none"> Dec 2021
	<ul style="list-style-type: none"> Monitor and review noise compliance against monthly aircraft movements 	<ul style="list-style-type: none"> Monthly
	<ul style="list-style-type: none"> Hold regular airline stakeholder meetings to share information and manage growth 	<ul style="list-style-type: none"> Monthly

Working together to deliver balanced outcomes for our team, stakeholders & community

Priorities	Performance Metrics	Performance Targets
Foster a values-led “one team” culture	• Improved staff engagement survey	• 10% improvement year-on-year
	• Staff & Leadership development plans achieved	• Annual
Ensure a fit-for-purpose organisational design & capability	• Develop a viable dual-airport approach for Queenstown and Wanaka airports	• Dec 2019
	• Develop and roll out an organisational and capability plan to implement the dual airport model	• Jan 2020
	• Internal audit on systems and processes	• Jun 2020
Strive for an engaged community that values our contributions	• Provide updates through various QAC channels on our sustainability programme to share social, economic and environmental value	• Ongoing
	• Regularly engage with our shareholders, stakeholders and community about QAC’s long term planning activities	• Ongoing
	• Work with key agencies on long-term planning initiatives	• Ongoing
	• Engage with our team, airport stakeholders and community through a programme of events: <ul style="list-style-type: none"> – Behind-the-scenes airport education/community visits at both airports from across the region – Annual Airport Community Day at Queenstown and Wanaka airports – Airport Safety Week programme across both airports 	<ul style="list-style-type: none"> • Throughout the year • Dec each year • Oct each year
	• Share airport insights and datasets with stakeholders and community via communication channels	• Monthly, quarterly, 6-monthly, annual
	• Share relevant airport and aviation news and stories to help inform and educate the communities we serve	• Ongoing
Deliver value to shareholders through sustainable returns	• Deliver dividends per shareholder expectation	• Annual
	• Deliver Long Term Funding strategy	• Dec 2019
	• Leases and licenses reviewed, renewed and up to date	• 2019-2021
	• Explore and implement opportunities to achieve returns on land and property by releasing current vacant land holdings to the lease-hold market	• 2019-2021
Enhance collaborative relationships across our airport communities & stakeholders	• Participate in stakeholder and community long term planning forums	• Ongoing
	• Host airport community get-togethers at both airports	• Quarterly
	• Participate in Queenstown and Wanaka user groups	• Quarterly
	• Share customer experience data with the airport community to assist with performance targets	• Quarterly

Summary of Key Strategic Projects

	FY2019	FY2020	FY2021	FY2022
Dual-Airport Business Model	<ul style="list-style-type: none"> Develop a viable dual-airport approach for Queenstown and Wanaka airports. 	<ul style="list-style-type: none"> Present dual-airport proposition Organisational design and capability reviewed. 	<ul style="list-style-type: none"> Implement dual-airport model. 	
Queenstown Airport Master Plan		<ul style="list-style-type: none"> Determine preferred option. Refine Queenstown Airport master plan spatial planning based on agreed growth projections. General Aviation (GA) precinct detailed design commences. 	<ul style="list-style-type: none"> Commence Terminal Development Plan. GA precinct development commences. 	
Wanaka Airport Master Plan	<ul style="list-style-type: none"> Commence development of draft Master Plan. Regular stakeholder/community engagement. 	<ul style="list-style-type: none"> Stakeholder/community engagement on draft Master Plan. 	<ul style="list-style-type: none"> Detailed planning & consenting. 	<ul style="list-style-type: none"> Detailed planning & consenting.
Project Pathway for Queenstown Airport	<ul style="list-style-type: none"> Border Agency area expansion completed. Check-in transformation completed. 	<ul style="list-style-type: none"> Baggage Makeup Unit expansion completed. Security Screening process improvements and infrastructure changes designed and implemented. 	<ul style="list-style-type: none"> Domestic Departure Lounge expansion completed. 	
Noise Planning	<ul style="list-style-type: none"> Continuation of PDP hearings incorporating PC35 provisions 	<ul style="list-style-type: none"> Determine required noise planning framework for ZQN and WKA. 	<ul style="list-style-type: none"> Progress any changes to the noise planning framework through the RMA process. 	<ul style="list-style-type: none"> Finalise any changes to noise planning framework.
Queenstown Airport Noise Mitigation programme	<ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. 	<ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. 	<ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years. 	<ul style="list-style-type: none"> Continue works in annual or 2-yearly tranches for next 15 years.
Land Acquisition	<ul style="list-style-type: none"> 'Lot 6' Public Works Act (PWA) proceedings for Queenstown Airport. 	<ul style="list-style-type: none"> 'Lot 6' PWA compensation agreed. 	<ul style="list-style-type: none"> Continue to assess other opportunities as they arise. 	<ul style="list-style-type: none"> Continue to assess other opportunities as they arise.

Financial Forecast FY2019-2022

Net Profit after Tax (NPAT) is forecast to increase in the three-year period from \$14.8 million in FY19 (current financial year) to \$15.4 million in FY22 (period ending 30 June 2022).

EBITDA is forecast to increase from \$33.2 million in FY19 to \$43.0 million in FY22. This improvement in EBITDA is primarily due to a combination of an increase in passenger numbers and managing operating expenditure at a lower rate than revenue growth.

QAC plans to manage aircraft movements within the existing parameters of noise consents, leading to passenger numbers growing at a reduced rate than experienced in recent times. Whilst operating expenses will increase in real terms during the forecast period, they will increase at a rate that is lower than the revenue, demonstrating the resilience in the operating mode.

Further infrastructure improvements, including the Pathway programme of works (to meet short term demand) and building resilience improvements, will lead to an increase in both interest expenses and depreciation. Depreciation and amortisation expense is also negatively impacted by the amortisation related to the airport's noise mitigation programme. QAC will continue to review the useful life of property, plant and equipment to ensure that the depreciation and amortisation rates applied remains appropriate.

Dividend payments are forecast to remain in the range of \$7.0 million to \$7.5 million during the period. Dividends are declared based on 50% of NPAT. In making any dividend payments, QAC's Board of Directors will give due consideration to operating profits, capital expenditure and other cash requirements.

The Company has sufficient funding head-room within existing bank facilities to execute its capital investment programme during the period.

SOI FINANCIAL FORECAST

For the Financial Years Ending 30th June

\$'000

	FCT	FCT	FCT	FCT
FYE 30 June (000's)	FY2019	FY2020	FY2021	FY2022
Financial Performance				
Total Revenue	50,654	54,957	59,081	61,981
Total Operating Expenditure	(17,485)	(17,157)	(17,966)	(18,934)
EBITDA	33,169	37,799	41,116	43,046
Depreciation & Amortisation	(8,408)	(12,080)	(15,487)	(16,236)
EBIT	24,761	25,719	25,629	26,810
Interest Expense	(3,197)	(4,126)	(4,659)	(4,756)
Profit Before Tax	21,564	21,593	20,970	22,054
Tax	(6,751)	(6,812)	(6,821)	(6,624)
Net Profit After Tax	14,813	14,782	14,149	15,430
Dividends Paid ¹	7,470	7,406	7,391	7,074
Financial Metrics				
Total Assets	399,318	454,444	485,626	503,730
Shareholders Funds	297,485	312,379	327,721	345,201
Operating Cash Flow	22,605	28,658	33,502	35,939
Capital Expenditure	(34,852)	(58,448)	(37,772)	(25,187)
Closing Debt	76,092	117,258	133,576	134,655
Return on Equity (NPAT to Avg SH Funds ²)	5.0%	4.7%	4.3%	4.5%
Return on Assets (NPAT to Avg Total Assets ³)	3.7%	3.3%	2.9%	3.1%
EBITDA > 2 times funding expense	10.37	9.16	8.83	9.05
Shareholders Funds to Total Tangible Assets > 50%	75.2%	69.2%	67.8%	68.7%
Revenue per Pax	\$20.87	\$20.74	\$20.95	\$21.28
EBITDA per Pax	\$14.00	\$14.59	\$14.90	\$15.09
NPAT per Pax	\$6.25	\$5.71	\$5.13	\$5.41

Notes

1. Dividends calculated on a paid basis rather than earned.
2. Average Shareholders' funds based on opening and closing balances.
3. Average Total Assets based on opening and closing balances.

Shareholder Interaction and Corporate Governance

Regulatory Framework

QAC is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002. Section 59 sets out the principal objectives of a CCTO which are to:

- (a) *achieve the objectives of its Shareholders, both commercial and non-commercial, as specified in the statement of intent; and*
- (b) *be a good employer; and*
- (c) *exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and*
- (d) *conduct its affairs in accordance with sound business practice.*

QAC's business is also subject to regulatory control under the Airport Authorities Act 1966 and complies with the disclosure requirements of a specified airport company pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations.

The Airport Authorities Act 1966 (section 4(3)) states that the Airport "...must be operated or managed as a commercial undertaking."

The company's governance is also covered by the Companies Act 1993.

QAC's aeronautical operations are governed by the Civil Aviation Act 1990 and Civil Aviation Rules Part 139.

Statement of Intent (SOI) Process

As a CCTO, QAC must prepare a SOI in accordance with Section 64(1) of the Local Government Act 2002.

QAC submits a draft SOI for the coming financial year to Queenstown Lakes District Council (QLDC) by 1 March. Following consultation with QLDC, and after considering any comments from QLDC, the final SOI is approved by the airport's Board of Directors and delivered to QLDC by 30 June.

Board of Directors

QAC Board of Directors and management are committed to ensuring the Company meets recommended best practice governance principles and maintains the highest ethical standards.

The Board of Directors is appointed by the Shareholders to govern and direct QAC's activities. The Board is the overall final body responsible for all decision-making within the Company. It is accountable to its Shareholders for the financial and non-financial performance of the Company.

The Board has established an Audit and Financial Risk Committee to oversee the Company's financial reporting processes, system of internal control, and the external audit process, and its processes for identifying and managing financial risk, and for monitoring compliance with applicable law and its own policies. The Board has also established a Safety and Operations Risk Committee to oversee the Company's performance and reporting related to health & safety and operational activities and monitor compliance with applicable law and its own policies.

Role of the Board

The Board is responsible for the proper direction and oversight of QAC's activities. This responsibility includes:

- Approving strategic plans, budgets and the SOI
- Corporate policies, including financial and dividend policies, and delegated authorities
- Monitoring financial performance and achievement of the strategic initiatives and SOI objectives
- Appointment and monitoring of the performance and remuneration of the Chief Executive (CE)
- Integrity of management information systems
- Assessment of business opportunities and business risks
- Internal control and assurance systems
- Compliance with relevant law
- Reporting to Shareholders

Reporting to Shareholders

The Company has adopted 30 June as its balance date.

Within two months of the end of the first half of each financial year, Directors will deliver to Shareholders an Interim Report which will consist of:

- Chair and CE's report
- Directors' Responsibility statement
- Unaudited financial statements
- Notes to the financial statements including accounting policies

Within three months of the end of each financial year, Directors will deliver to Shareholders an Annual Report which will consist of:

- Chair and CE's report
- Directors' Responsibility statement
- Audited financial statements
- Notes to the financial statements including accounting policies
- A Statement of Service Performance summarising QAC's performance of the SOI goals and objectives
- Independent Auditor's Report

The Board works collaboratively with its Shareholders to ensure a "no surprises" relationship.

Quarterly meetings are held between QAC's Chair and CE and QLDC's Mayor and CE. These meetings are an opportunity to provide greater insights and information on business performance and issues of importance. QAC's CE and CFO also present the annual financial results to the QLDC Council and QLDC Audit Committee.

Annual meetings are held between QAC's Chair and CE and Auckland International Airport's Chair and CE where opportunities to work together in delivering Strategic Objectives are discussed (refer Strategic Alliance).

Dividend Policy

The Directors will declare dividends according to the following policy:

At their discretion, Directors may declare a full year dividend each year in a range of 50% and 100% of normalized Net Profit After Tax (NPAT), after adjusting for unrealised gains and losses arising from revaluation of property or treasury instruments and material extraordinary items.

In determining the full year dividend the Directors will consider:

- Solvency;
- Banking covenants and company treasury policy;
- Working capital and capital expenditure requirements; and
- The interests of shareholders.

An interim dividend may be declared and paid by 28 February each year. Any final dividend will be paid by 31 August each year.

Directors will determine the level of imputation credits having regard to the needs of shareholders.

The Directors will consider any request from the Shareholders for additional dividend payments and will apply prudent governance when considering such requests.

The Directors will not issue shares wholly or partly in lieu of the proposed dividend or proposed future dividends, without the written approval of Shareholders.

Capital Subscription

No new shares in the company can be issued without the consent of Shareholders.

The company is confident it can fund its capital growth plans from internal sources (cash flow and/or debt) during the forecast period FY2019-FY22. The Board will assess this position annually as part of the SOI process.

Investment in Other Entities

The Company must consult with the Shareholders prior to any investment being made in another entity.

Services Provided to QLDC

QAC provides property maintenance services at Glenorchy Aerodrome on behalf of QLDC. QLDC and QAC have agreed in principle that, subject to agreeing the terms, QAC will provide a broader range of management services at the airport.

QAC leases land to QLDC which forms part of the Frankton Golf Course for \$25,000 p.a.

Wanaka Guiding Principles

As part of the long-term lease process in 2017, QLDC and QAC developed principles to guide the management and development of Wanaka Airport:

1. QLDC and QAC are committed to the development of Wanaka Airport to support district growth and community needs.
2. QLDC and QAC support the operation, management, planning and development of Wanaka Airport by QAC as a key element of an integrated, complementary, district-wide strategy to foster the growth of aviation services.
3. QLDC and QAC acknowledge that the long-term lease arrangement regarding Wanaka Airport should vest economic control of Wanaka Airport in QAC and its terms should encourage investment in the Airport by QAC.
4. QLDC and QAC agree that the governance model for Wanaka Airport will be effective and similar to the current model in place for Queenstown Airport.
5. QLDC and QAC agree Wanaka Airport should become an economically viable and sustainable business.
6. QLDC and QAC believe that the support of the communities served by Wanaka Airport is important to its development.
7. QLDC and QAC agree to commit to engage with all of the stakeholders involved at the Wanaka Airport and the wider Wanaka community in future planning activities.
8. QLDC and QAC support Activities, (such as, general aviation, scientific research and education), and Events, (such as Warbirds over Wanaka), at Wanaka Airport.
9. These Activities and Events will require sustainable arrangements including an appropriate transition period.

The commercial vision is for Wanaka Airport to become a financially viable and sustainable airport, generating appropriate returns on its assets and contributing to the district's economic development and wellbeing of the community.

- We will adopt a commercial approach promoting and enabling sustainable growth whilst retaining the public, community and social values.
- We will consider the needs and activities of different operators and seek to adopt a 'user pays' model – operators pay for what they use and no more.
- All existing legal agreements will be honoured. Transitional arrangements will be developed to assist operators to move smoothly from the current model to a more sustainable model.
- We will actively engage with the airport community, particularly in the transition, giving everyone the opportunity to give feedback on the commercial approach.

Strategic Alliance with AIAL

Auckland International Airport Limited's (AIAL) investment in QAC includes an undertaking between the two companies to work together to grow QAC's business returns and increase passenger numbers.

The focus of the strategic alliance for the next five years will be for the two companies to leverage the scale and connectivity of a multi-airport relationship to grow visitor activity and deliver superior earnings growth to both companies and economic growth to their respective communities.

Where appropriate, QAC will seek to leverage AIAL's market and operational scale, intellectual property and management capabilities in aeronautical, retail, commercial and property development functions including:

- Collaboration to further develop air services between the two airports, sharing relevant market information and analysis
- Joint ventures on relevant tourism-related marketing and tactical promotions
- Optimising operational efficiency through technology and process innovation
- Support in maximising non-aero revenue through the sharing of data and retail/transport expertise
- Input on industry/airport trends and operating efficiencies, particularly in identifying and managing common strategic risks
- Training and/or mentoring support for personnel
- Support with procurement

AIAL will continue its own route development into markets such as the US, China, South East Asia and South America that cannot support direct flights to Queenstown due to aircraft size. Promotions will feature Queenstown and promote passengers travelling through AIAL to Queenstown on domestic carriers.

Audit

The Office of the Auditor General (OAG) has appointed Deloitte to undertake the financial audit of QAC for the three years ended 30 June 2017 to 2019.

Accounting Policies

QAC will maintain accounting records in accordance with the Companies Act 1993.

QAC will prepare financial statements in accordance with the Financial Reporting Act 2013; the Companies Act 1993, the Local Government Act 2002, the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (as amended in 2014). These include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

Corporate Directory

Location:	Queenstown Airport Corporation Airport Administration, Queenstown Airport Sir Henry Wigley Drive Frankton Queenstown 9300	
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Phone:	+64 3 450 9031	
Email:	admin@queenstownairport.co.nz	
Websites:	www.queenstownairport.co.nz www.wanakaairport.com	
Shareholders	Queenstown Lakes District Council (75.01%) Auckland Airport Holdings (No2) Limited (24.99%)	
Directors	Prudence Flacks (Chair) Grant Lilly Michael Stiasny Norman Thompson Mark Thomson Adrienne Young-Cooper	
Senior Management	Chief Executive	Colin Keel colin.keel@queenstownairport.co.nz
	Chief Financial Officer and Company Secretary	Andrew Williamson andrew.williamson@queenstownairport.co.nz
	General Manager, Operations and Safety	Mike Clay mikec@queenstownairport.co.nz
	General Manager, Property and Planning	Rachel Tregidga rachel.t@queenstownairport.co.nz
	General Manager, Commercial and Customer Experience	Olivia Pierre oliviap@queenstownairport.co.nz
	General Manager, Communications and Community	Jen Andrews jen@queenstownairport.co.nz
Senior persons per Civil Aviation Rules, part 139	Chief Executive	Colin Keel
	General Manager, Operations and Safety	Mike Clay

Abbreviations

AIAL	Auckland International Airport Limited
CAA	Civil Aviation Authority of New Zealand
CE	Chief Executive Officer
CCTO	Council-Controlled Trading Organisation
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
F&B	Food and Beverage
FY	Financial Year – 1 July to 30 June
GA	General Aviation
NPAT	Net Profit After Tax
OCB	Outer Control Boundary
PC35	Queenstown Lakes District Council Plan Change 35 relating to Airport Noise boundaries
PDP	Proposed District Plan
QAC	Queenstown Airport Corporation, the company that operates Queenstown Airport and Wanaka Airport
QLDC	Queenstown Lakes District Council
RMA	Resource Management Act
SOI	Statement of Intent
WKA	Wanaka Airport
ZQN	Queenstown Airport