

# Queenstown Airport Statement of Intent

2014-2016

June 2013

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## Queenstown Airport Business

The primary activity of Queenstown Airport Corporation Limited (QAC) is to operate Queenstown Airport (ZQN) efficiently and effectively and on sound business principles for airport users. This consists of providing appropriate landside and airside facilities for its users, including both commercial and non-commercial aviation users, as well as wider commercial opportunities that complement the use of the Airport and its surrounding land.

## Mission, Vision Statement, Goals, Objective

### Mission Statement

To provide airport and related facilities in the district and meet the growing needs for airport services to the Lakes District, to the highest quality in an economically sustainable manner and in the best interests of the community.

### Vision Statement

***“Seize the Challenge to make Queenstown easy to get to, with an airport experience that leaves a wonderful first and lasting impression”***

### Goals

To achieve its mission QAC has established a number of goals. These are to:

- develop the Airport infrastructure and facilities to support the Region’s growth while maximising utilisation of the existing facilities to avoid over capitalisation
- provide people using the Airport with a ‘wonderful experience’ consistent with our vision
- promote the Airport and the Region to grow visitor numbers
- establish the Airport as a preferred place to work and do business within the region
- be socially and environmentally responsible for the benefit of the community in alignment with Queenstown Lakes District Council’s (QLDC) desired outcomes
- operate as a successful business growing the return on funds invested in the medium and long term.

### Objectives

It is QAC’s principle objective to be a successful business. This success will be measured by setting a number of objectives identified at the start of each financial year which we believe can and should be achieved within that year. These objectives will be measurable and QAC’s performance against these objectives will be reported and audited annually.

How QAC’s goals and objectives for the forecast period 2013-2015 align to the Council Outcomes set out in QLDC’s Annual Plan 2012-2022 is provided in Appendix 1 to this Statement of Intent (SOI).

## Corporate Governance

The QAC Board and management are committed to ensuring that the Company meets 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 works collaboratively with its shareholders to ensure a "no surprises" relationship. As part of that relationship, shareholder's representatives are invited to attend board meetings as observers.

## Role of the Board

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

- approving Strategic plans, budgets and the SOI
- corporate policies, including, financial and dividend policies, and delegated authorities
- assessment of business opportunities and business risks
- internal control and assurance systems
- compliance with relevant law
- monitoring financial performance, and achievement of the strategic initiatives and SOI objectives
- integrity of management information systems
- appointment and monitoring of the performance and remuneration of the Chief Executive Officer
- reporting to shareholders.

## Code of Conduct

The Board has adopted a code of conduct based on the New Zealand Institute of Directors' Code of Proper Practice for Directors. The purpose of the code is to clarify how the Board of Directors shall define and deal with:

- the role and fundamental obligations of the Board
- independence and conflict of interest, including conflict with management
- Board procedures, including the role of the Chairman and interaction with the Chief Executive Officer
- reliance on information and independent advice
- confidentiality of company information
- Board and Director performance review and development.

## Regulatory Framework

This SOI sets out QAC's overall intentions and objectives for the three financial years ending 30 June 2014, 2015, and 2016, and is prepared in accordance with Section 64(1) of the Local Government Act 2002.

QAC is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002. Under section 59 of the Local Government Act 2002, the principal objective of a CCTO is 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 subject to regulatory control under the Airport Authorities Act 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 and Civil Aviation Rules Part 139.

## Statement of Intent Process

In accordance with Local Government Act 2002, the Company submits a draft SOI for the coming financial year to QLDC by 1 March. After due consultation with QLDC, and after considering any comments from QLDC, the final SOI is approved by the Board of Directors and delivered to the QLDC by 30 June.

## Shareholders

QAC's shareholders are QLDC (75.01% shareholders) and Auckland International Airport Ltd (AIAL) (24.99% shareholders).

### *Leveraging value from the strategic alliance with Auckland International Airport Limited*

AIAL's investment in QAC included an undertaking between the two companies to work together to grow QAC's business returns and increase passenger numbers. Financial and passenger growth targets were set which have been exceeded.

The current focus for the Strategic Alliance is less on financial and passenger output measures and more on inputs. Particularly, inputs involving a sharing of AIAL intellectual property and general airport expertise. For example, during the 2012 calendar year QAC staff have been involved in joint rescue fire training; observed emergency exercises; and attended an aviation briefing by a Boeing senior executive.

The value of having a sounding board for airport business issues should not be underestimated. On top of this in the coming 18 months, AIAL will specifically provide QAC with:

- input on enhancing QAC's Safety Management System for the total airport – landside and airside
- input on plans to revamp the retail area in the terminal around improved people flows, changes to the retail offering, and the upgrade of the retail look and feel
- input on airport trends from passenger spending habits to performance management measures for lessees to ensure superior service levels for airport users
- peer review of the Risk Management project outcomes
- peer review of capital plans – quantum and timings - as they link to the airport's Master Plan
- support in the roll out of the noise mitigation programme (PC35) to ensure QAC is seen as responsive and professional in implementing its PC35 obligation
- training and/or mentoring support for personnel
- support with procurement, including insurance
- targeted route development for direct scheduled services including joint promotion of Queenstown and the Southern Lakes Region.

AIAL will continue its own route development into markets, such as China and Indonesia that can not support direct flights to Queenstown due to aircraft size. However, promotions will feature Queenstown and promote passengers travelling through AIAL to Queenstown on domestic carriers.

## Reporting to Shareholders

The Company has adopted 30 June as its balance date. Within 2 months, after the end of the first half of each financial year, the Directors will deliver an unaudited half yearly report to the shareholders consisting of:

- Statement of Cashflows
- Directors Report
- Statement of Financial Position
- Statement of Financial Performance

Within 3 months after the end of each financial year, the Directors will deliver to the shareholders an annual report and an audited financial statement which will consist of no less than:

- Chairman's and Chief Executive's Reports
- A Statement of Service Performance: QAC's performance of its SOI objectives
- Declaration in respect of a dividend
- Statement of Financial Position
- Statement of Financial Performance
- Statement of Cashflows
- Auditor's Report

## Performance Indicators

In its half year and annual report to QLDC, QAC will record its performance against the goals and objectives set out in this SOI.

## Financial Performance Targets

QAC's long term goal is to achieve an average tax paid rate of return on Shareholder's Funds plus Revaluation Gains within the range of 8.0 percent to 9.5 percent post tax.

QAC will operate with the aim of maintaining financial "good health" in accordance with performance and ratio targets set by the Board. Management and the Board are aware of the importance of QAC continuing to deliver a reliable dividend stream at levels in line with shareholder expectations.

Notably, QLDC have emphasised the importance of QAC's dividend in its *Statement of Shareholders Expectations 2013/2014* which is consistent with the position in its 10 Year Plan 2012/2022.

## Goals and Objectives

### ***Goal 1: Develop the Airport infrastructure and facilities to support the Region's Growth while maximising utilisation of existing facilities to avoid over capitalisation***

ZQN may be the fastest growing airport in Australasia; we are definitely the fastest growing New Zealand airport. Over the last 4 years there has been double digit growth in passenger numbers. This growth comes at a price as airport infrastructure and facilities need to develop inline with passenger growth if we are to meet passenger expectations of a modern airport. QAC's strategy is to develop incrementally in response to passenger growth and the Master Plan for the terminal has been developed along these principles. Airfield infrastructure by its nature tends to be lumpy and requires careful planning in consultation with users to ensure it is delivered in a timely manner.

ZQN remains a small airport compared to the city airports of Auckland, Christchurch, and Wellington. At peak times we are very busy, while outside the peaks we can have much surplus capacity. The facilities used by international travellers are those most under pressure during peaks, but the most under utilised outside the peaks. To address this the terminal has been built, wherever possible, to allow airside areas (the terminal areas beyond security screening), to be capable of use for either domestic or international flights. Holding passengers in the main terminal area and allowing access through security to the departure lounges on a 'just in time' basis during busy times is another approach to addressing congestion and improving the passenger experience.

In 2012 we added a new international departure lounge capable of being used for domestic flights if required. Also with this build were additions to baggage reclaim to better accommodate the oversized luggage, additional space for security screening and customs, and expanded toilets facilities.

In 2013 we will focus on the inside of the terminal with changes to the international arrivals Ministry of Primary Industries (MPI) inspection area, a revamp of the retail and café areas, and changes in the concourse accommodating the rental car companies. A lot of preparatory work will occur through 2013 and into 2014 on the next major infrastructure builds with particular emphasis on:

- agreeing the triggers for the next terminal expansion: it is anticipated this will be an expansion of the international arrivals facilities including an additional bag reclaim
- agreeing with airlines the timing for a parallel taxiway.

Acquiring land from Remarkables Park Limited for a new aviation precinct remains a priority. A negotiated settlement is preferred. Notwithstanding, the initiative was recognised by the Minister for the Environment as a 'project of national significance' back in February 2011, an outcome is not likely until 2014. This delay blocks QAC's plans to establish world class corporate jet facilities and frustrates the expansion plans of the region's GA industry.

Being able to land and depart scheduled services throughout the existing consented window of 6am to 10pm requires CAA approval for airlines to operate after dark. Obtaining this approval will allow a spreading of flights in the winter and could allow us to defer the future terminal expansion by a number of years. Proving to CAA that evening flights in winter can occur safely is the starting point and will dictate what, if any, additional infrastructure is required at ZQN.



### **Passenger growth – How fast can QAC grow?**

The tables below show historical passenger growth numbers and QAC's assessment of growth for the current financial year and over the SOI forecast period of 2014-2016. While our percentage growth is down on past years, we are forecasting growth in passenger numbers at similar levels to previous years and planning to handle them with minimal additional terminal infrastructure. This may prove challenging and the next terminal expansion may need to commence before the end of the forecast period.

#### **Historical Passenger Growth for the 4 year period 1 July 2007 to 30 June 2012 from FY2008 base year.**

	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	Change FY08-FY12	Average per year
<b>Total Pax ('000)</b>	700	684	812	924	1,047	347	87

#### **Forecast Passenger Growth for the 4 year period 1 July 2011 to 30 June 2016 from FY2012 base year.**

	FY2012 Actual	FY2013 Forecast	FY2014 Forecast	FY2015 Forecast	FY2016 Forecast	Change FY12-FY16	Average per year
<b>Total Pax ('000)</b>	1,047	1,192	1,256	1,327	1,403	356	89

**However, an average passenger growth rate of 8% pa in the forecast period 2014-2016 will see ZQN handling 1.5m passengers by FY2016, only 4 years after breaking the 1 million passenger milestone.**

Objective	Key Initiatives
<p>To be well informed of airport and aviation trends and drivers of passenger volumes that will positively or negatively impact demands on our infrastructure. Develop plans for continued growth so as not to impede the Region's growth.</p>	<p>AIAL engagement on airport and airline trends. Selective attendance at industry conference or workshops. Selective use of aviation consultants.</p> <p>Annual Master Plan review to ensure developments to the Airport's infrastructure and facilities continue to address anticipated passenger growth and industry trends.</p> <p>Acquire land south of the runway for development of a new aviation precinct.</p> <p>Capital plans developed for airport developments forecast for the next 5 years.</p> <p>Update the 2010 ZQN capacity study to account for improvements from new builds and infrastructural enhancements completed since the 2010 study (this study will identify passenger volume and airfield activity triggers for future development).</p>
<p>To expand the approved window for airlines to arrive and depart ZQN, taking advantage of ZQN's consented operating hours of 6am to 10pm.</p>	<p>QAC and Airlines jointly investigate safety cases for evening flights to understand the potential for operations in darkness and the associated infrastructure needs at the airport.</p> <p>Airlines to submit individual safety cases to CAA or CASA for approval.</p>
<p>Ensure expansions to the Airport infrastructure and facilities are delivered in a timely manner to balance the risks of overcapitalisation with the risks of turning away passengers and aircraft.</p>	<p>Ongoing consultation with airlines and GA users on adequacy of infrastructure.</p> <p>Passenger feedback via surveys.</p> <p>AIAL to peer review development plans.</p>

Measures
<ul style="list-style-type: none"> <li>• Forecast capital plans can be funded by QAC through cashflow and increased debt.</li> <li>• Master Plan review completed with Board and shareholder representatives.</li> <li>• Environment Court and High Court decisions support QAC's purchase of 16ha of Remarkables Park Limited's Lot 6 land.</li> <li>• Completion of QAC and Airline's joint investigation into operating after civil twilight.</li> <li>• ZQN capacity study updated by June 2014.</li> </ul>

**Goal 2: Provide people using the Airport a ‘wonderful experience’ consistent with our vision**

The travelling public expect their airports to be comfortable and safe places to be in with clear signage (way finding), easy flows with minimal congestion, and they expect a range of services to be available for their convenience. For the departing passenger this seamlessness must extend from parking, to check in, moving through security screening to the departure lounge, to boarding the plane. For arriving passengers it is from disembarking the plane to finding ones way through the terminal to the baggage claim area, the exits, public transport, rental cars, or carpark.

The ZQN terminal has been built to embrace the surrounding landscape and provide stunning views. All changes to the internal layout or future expansion will be done in a way to maintain the current terminal ambience. In carrying out our retail review we will strive to provide passengers with shopping options that promote Central Otago, that in turn will provide a point of difference for ZQN.

Objective	Key Initiatives
<p>Provide a superior experience for people using the airport from access roads, parking, and in terminal experience.</p>	<p>Provide suitable land transport options for access to and from the Airport. Build on long term parking options.</p> <p>Enhance the retail and F&amp;B experience at QAC to better match passenger needs and embrace the region.</p> <p>Continue seasonal theming within the terminal to provide a welcoming sense of fun.</p>
<p>Ensure people flow through the terminal is efficient such that:</p> <ul style="list-style-type: none"> <li>• congestion in the terminal and overcrowding in the departure lounges is minimised</li> <li>• congestion for international arrivals is reduced so that passengers queuing outside the arrivals hall is minimised.</li> </ul>	<p>Revisit way finding and FIDs screens.</p> <p>Active management of people flows by Airport staff during peak period, especially winter. Co-ordination of Airlines, AVSEC, Customs and MPI during these peaks.</p> <p>Supporting AVSEC Queenstown with its requests to man the third screening point.</p> <p>Working with Customs, investigate introducing the next generation of smart gate technology for Queenstown’s international arriving passengers.</p>

Measures
<ul style="list-style-type: none"> <li>• Revamp of the retail and café areas completed first half 2014 calendar year.</li> <li>• A range of transport options exist and meet the needs of airport users.</li> <li>• Reduced passenger queuing for Aviation Security.</li> <li>• Reduced passenger queuing at international arrivals.</li> <li>• User satisfaction surveys.</li> </ul>

**Goal 3: Promote the Airport and the Region to grow visitor numbers**

Airports no longer operate on a ‘build it and they will come’ basis and are now actively engaged in securing passenger growth by working with airlines to establish new routes or grow capacity on existing routes. AIAL has a large team dedicated to route development and their expertise will be important to QAC initiatives in this area.

The local Regional Tourism Offices (RTOs) do a great job promoting Queenstown, Wanaka, and the Southern Lakes Region generally. QAC, working alongside AIAL, can help RTOs with their goal of growing visitors.

Direct international commercial flights to Queenstown are restricted to the reach of a 737 or Airbus A320 aircraft due to our runway length; meaning our international focus is restricted to East Coast Australia and Pacific Islands. However, this need not be seen as a major constraint as it is moot whether a Boeing 787/A330 capable airport at Queenstown would provide greater returns to justify the extra infrastructure investment.

Our key international feeder airports are Auckland, Christchurch, Sydney and Melbourne and improving the connectivity for on flights to ZQN is a better use of our resources.

The importance of domestic tourism is often overlooked and is now being viewed by Air New Zealand as strategically important. Queenstown can expect to fare well from increased activity in domestic tourism which is why QAC worked with Air NZ, Destination Queenstown, and AIAL to promote Air NZ’s new 2012/13 summer flights between Auckland and Queenstown.

Objective	Key Initiatives
To be actively involved in route development focusing on new services or increased capacity from Australia, Pacific Island and New Zealand. This includes adding capacity and frequency to existing routes.	QAC, with support and input from AIAL, works with Airlines, Tourism New Zealand and RTOs to grow visitor numbers to the wider region.
Assist selected local events as far as possible by allowing promotion within and around the terminal.	Provide space for welcome desks and other opportunities on a case-by-case basis.

Measures
<ul style="list-style-type: none"> <li>• Growth in Passenger numbers.</li> <li>• Increase in scheduled airline capacity being flown into ZQN either from:               <ul style="list-style-type: none"> <li>• new routes flown by new or existing airlines</li> <li>• new flights on existing routes</li> <li>• larger aircraft introduced on existing routes, eg A320 replacing older generation 737’s; more jets on the ZQN-CHC route.</li> </ul> </li> <li>• Joint marketing campaign(s) are undertaken and their success measured.</li> </ul>

**Goal 4: Establish the Airport as a preferred place to work and do business within the Region**

Income from businesses occupying the airport terminal and surrounding airport land as well as parking revenues are an important and increasing part of QAC’s profitability that delivers the dividend for our shareholders.

QAC is a major hub for people with over a million passengers per year as well as those that come to greet or farewell these travellers. These people expect a range of services to be available to them; be it rental cars, retail, food and beverage, banking, transport, or tour desks etc, and in turn businesses providing these services are keen to be a part of the airport’s success and add to the service offered to airport users.

Queenstown Airport is already a major employment hub in the region and future employment growth at the airport should outperform the rest of the region. As our passenger numbers expand so too will our service offerings, subject to terminal space to house them. If we are successful in our plans to introduce evening flights throughout the year, QAC and our tenants will need extra staff to manage the expanded operating hours.

Objective	Key Initiatives
The Region understands the diversity of businesses and jobs at the Airport.	QAC communications profile the diversity and growth in business.
Businesses serving passengers are professional and successful. They employ people that embrace the QAC’s vision for the travelling public.	QAC provide regular updates to all staff and tenants on developments and prospects of the airport.
The benefits from growing passenger numbers flows through to all businesses operating at the Airport.	Survey tenants on their Airport experience. Survey passengers on their terminal service experience.

Measures
<ul style="list-style-type: none"> <li>• Annual Review, ZQN News features, selected media releases as required.</li> <li>• Website developments to profile service offerings.</li> <li>• Airport team briefings.</li> <li>• Survey results.</li> </ul>

**Goal 5: Be socially and environmentally responsible for the benefit of the community and in alignment with QLDC's desire outcomes.**

We operate a business that provides essential infrastructure to our community and region and at the same time we have impacts on local neighbours that need to be managed.

QLDC has a focus on reducing water use, reducing inflows to the town's sewage system, and reducing waste to landfill. QAC can help with all these initiatives.

Finding a solution for waste water discharge from the Shotover Ponds is a pressing matter for QLDC and disposal to land at the Shotover Delta needs to be managed carefully to avoid attracting unwanted bird life to the area.

The Frankton Golf Course is part on land owned by QAC. We need to balance achieving a market return on the land with the public amenity the course provides the community.

Objective	Key Initiatives
Reduce our impact on Council's infrastructure with a particular focus on water and waste management.	<p>Water use is measured and initiatives developed to reduce water use per passenger. Firstly, to cap the total volume per pax of reticulated water used on site, and latterly reduce that total volume.</p> <p>Waste is measured and initiatives developed to reduce the amount of waste sent to landfill from the airport site, initially on a per pax basis and latterly on a total volume basis.</p> <p>Establish base energy use to allow improvement initiatives to be measured.</p>
Manage the noise impact of the airport on the surrounding residential and business areas.	Implementation of the PC35 requirements around noise monitoring and mitigation.
Engage with the Community, keeping them informed on developments at the airport and future plans.	<p>CEO and Senior Executives to present at community forums on airport developments and future plans.</p> <p>Establish a Community Liaison Group as a forum for local residents. Initially aligned to QAC's plan change 35 requirements.</p> <p>Support community events.</p> <p>Continue to make land available to Lakes Leisure for the Frankton Golf Course at concessionary rents for as long as that land is not needed for airport purposes.</p> <p>Protect QAC owned heritage buildings.</p>

Objective	Key Initiatives
Support QLDC with its plans for Wanaka Airport.	<p>Make management and airport expertise available to Wanaka Airport.</p> <p>Provide accounting and admin services to Wanaka Airport.</p>
Participate in Council and Regional Planning and the RMA process to protect the Airport from unintended planning consequences.	<p>Remain watchful and active in surrounding land developments, and plan changes that may conflict with the Airport.</p> <p>Achieve planning that is consistent with airport operations driven by the Master Plan.</p> <p>Progress Noise Boundary Plan Change (PC35) to inclusion in the District Plan.</p> <p>Create an Airport Zone for ZQN.</p>

<b>Measures</b>
<ul style="list-style-type: none"> <li>• Community Liaison Group established.</li> <li>• Airport noise, as measured, is within the levels set in the District Plan.</li> <li>• Information releases are regular, accurate and remain relevant eg Passenger stats, website content, ZQN Newsletter, &amp; media releases.</li> <li>• Water volume used per year, with a view that: <ul style="list-style-type: none"> <li>• water use per pax over the forecast period is constant or declining</li> <li>• total water volumes used at ZQN peaks during the forecast period and is in decline by 2016.</li> </ul> </li> <li>• Waste water volumes discharged from ZQN, with a view that: <ul style="list-style-type: none"> <li>• volumes per pax over the forecast period is constant or declining</li> <li>• total volumes discharged from ZQN peaks during the forecast period and is in decline by 2016.</li> </ul> </li> <li>• Wanaka Master Plan is updated and linked to zoning. Flight activity and financial performance improving post Air NZ's withdrawal.</li> </ul>

**Goal 6: Operate as a successful business growing the return on funds invested in the medium and long term.**

It is essential we run the airport to deliver strong financial returns that improve year-on-year. Aeronautical pricing was reset in 2012 for a 9 year period to 2021 and assumes strong passenger growth. QAC's aeronautical returns are therefore mostly predetermined and above forecast passenger growth has marginal upside for aeronautical revenue. Non aeronautical revenue, on the other hand, provides QAC with opportunities for upside from increasing passenger numbers and adding to the range of services being offered.

QLDC are focused on cost and debt reduction and it is important QAC work to self-fund capital growth in the short term. During the SOI forecast period – 1 July 2013 to 30 June 2016 – QAC does not plan to seek additional capital. The equity injection by AIAL in 2010 allowed QAC to reduce debt to today's low levels and QAC has the financial capacity to increase debt to fund the infrastructure developments anticipated through the forecast period.

Objective	Key Initiatives
<p>Generate improved business returns over the forecast period sufficient to:</p> <ul style="list-style-type: none"> <li>• Support the funding of growth capital.</li> <li>• Provide a dividend that meets shareholder expectations.</li> </ul>	<p>Growing non aeronautical revenue with an improved offering to the travelling public.</p> <p>Development of a new aviation precinct on Lot 6 land that will provide opportunities for an expanded offer to Airlines, General Aviation and Corporate Jets.</p> <p>Maintain an affordable level of debt sufficient to fund forecast capital spending.</p>
<p>Strive for Operational Excellence through continuous improvement programmes.</p>	<p>Develop an overarching Risk Management system incorporating CAA, Health &amp; Safety and Environmental risk management systems.</p> <p>Working with AIAL, develop a Safety Management System covering both landside and airside.</p> <p>Implement management strategies to minimising birdlife in the vicinity of the airport that pose a bird strike hazard.</p> <p>Implement Noise management mitigation in line with PC 35.</p> <p>Working with Airways on improvements to ground movements for improved safety and productivity.</p> <p>Identify ways to measure delays to scheduled aircraft due to congestion on the runway to determine savings from a parallel taxiway.</p>
<p>Develop and motivate staff to embrace our vision for the business and to want to make a difference.</p>	<p>Staff inductions and service training, possibly linked to QRC initiatives.</p> <p>Regular team briefings on QAC's direction and performance.</p>
<p>Diversify revenues to derisk the business.</p>	<p>Increase commercial revenues.</p>



## Measures

### Financial

- Achievement of financial forecasts.
- Manage finances and debt levels within existing Bank covenants, and require no further shareholder capital.
- Revenue mix between aeronautical and non aeronautical.

### Operational

- IATA Service Level C maintained.
- Aeronautical operations comply with QAC's aerodrome certificate as confirmed by:
  - Internal audits
  - CAA audits
- Bird strike incidents reduce.
- SMS system implemented that covers air and landside operations. Tenants and Airlines are sharing safety hazards and incidents with QAC for learnings.
- Staff Culture Survey.

## Financial Forecasts

### Financial Forecast 2014-16

Year Ended 30 June	Forecast 2014 (\$000's)	Forecast 2015 (\$000's)	Forecast 2016 (\$000's)
Total Revenue	20,235	21,386	22,521
Total Operating Expenditure	6,048	6,211	6,397
Operating Cashflow (EBITDA)	14,187	15,176	16,124
Interest expense	1,900	1,236	1,040
Depreciation	3,827	4,401	4,533
Profit Before Tax	8,459	9,539	10,551
Profit After Tax	6,091	6,868	7,597
Total Liabilities	30,575	31,788	26,021
Total Shareholder's Funds	124,615	127,438	130,601
Total Assets	155,190	159,226	156,622
Shareholder's Funds to Total Assets	80.3%	80.0%	83.4%
Net Profit After Tax to Average Shareholder's Funds <sup>1</sup>	4.9%	5.4%	5.9%
Dividends Paid <sup>2</sup>	3,806	4,045	4,434
Anticipated Capital Expenditure	4,470	8,215	1,130
Total Closing Debt	17,484	18,546	12,627
Net Drawdown/(Repayment of) Debt	(2,660)	1,062	(5,919)

#### Notes

1. Average Shareholders funds comprises of opening and closing balances
2. Dividends calculated on a paid basis rather than earned.

### Passenger Forecast 2014-16

Year Ended 30 June	Forecast 2014 (\$000's)	Forecast 2015 (\$000's)	Forecast 2016 (\$000's)
Total Pax 000	1,256	1,327	1,403

## Dividend Policy

The Board will declare dividends according to the following policy:

- A base dividend payment from normalised Net Profit After Tax (NPAT) of \$2 million each year 50 percent payable by 31 January. The balance of the base payment will be paid after year end accounts are finalised with an additional 50 percent of normalised NPAT that exceeds \$2 million.
- In the event that the normalised NPAT is forecasted to be less than \$3 million then the Board will reconsider a dividend payment and will apply prudent governance prior to declaring any dividend.

The Board will consider any request from the shareholders for further dividend payments and will apply prudent governance when considering such requests.

Prior to declaring a dividend the Board will consult with the shareholders, and seek advice where necessary, to ensure that the tax consequences for each shareholder are managed.

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

## Commercial Value

The enterprise value of QAC was assessed by Cameron Partners in July 2010 in the range of \$113m to \$133m. The net assets of QAC as at 30 June 2012 are \$120m.

In the absence of a new business valuation, the board has adopted the Cameron Partner value range of \$113m to \$133m as its estimate of commercial value of QAC.

A new enterprise value of QAC will be undertaken upon completion of the FY2013 audited annual accounts and included in next years SOI.

## Capital Subscription

The Company will consider the need for and sources of capital subscriptions as may be required. No new shares in the company will be issued without the consent of shareholders.

The company is confident it can fund its capital growth plans from internal sources (cashflow and/or debt) during the forecast period 2014-2016. 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.

## **Non-commercial Services**

QAC receives \$70,000 pa from QLDC for the management of Wanaka Airport. This includes the cost of an onsite airport manager, providing accounting and administration services, management input to the airport's development, and compliance obligations to CAA and Airways.

QAC believe its direct costs of providing the management services are in the order of \$100-125,000 pa, however, QAC does not plan to seek an increase in its fees for the FY2014 year.

Lakes Leisure Limited, a Council Controlled Organisation of QLDC, leases land from QAC for the Frankton Golf Course. QAC will be paid \$25,000 for the 12 months ending 31 July 2013 against an assessed market lease value of \$86,500 pa. Lakes Leisure Limited is being absorbed into QLDC. QAC and Lakes Leisure Limited will re-assess the lease levels in September 2013 when the viability of the Frankton Golf Course will be better understood. QAC does not expect to receive a market lease for this land use.

## **Audit**

It is acknowledged that Deloitte is responsible for carrying out the audit of the financial statements of QAC on behalf of the Audit Office.

## **Accounting Policies**

QAC will maintain accounting records in accordance with the Companies Act 1993, and the accounting standards promulgated by the New Zealand Institute of Chartered Accountants.

## Corporate Directory

<b>Location:</b>	Queenstown Airport Coporation Sir Henry Wrigley Drive Frankton Queenstown 9300	
<b>Mailing address:</b>	PO Box 2641 Queenstown 9349 NEW ZEALAND	
<b>DDI:</b>	03 450 9031	
<b>Fax:</b>	03 442 3515	
<b>Email:</b>	admin@queenstownairport.com	
<b>Website:</b>	www.queenstownairport.com	
<b>Shareholders</b>	Queenstown Lakes District Council (75.01%) Auckland Airport Holdings (No2) Limited (24.99%)	
<b>Directors</b>	John Gilks (Chairman) Alison Gerry James Hadley Grant Lilly Richard Tweedie	
<b>Senior Management</b>	Chief Executive Officer	Scott Paterson Scott.Paterson@zqn.aero
	GM Aeronautical Development	Simon Barr Simon.Barr@zqn.aero
	GM Corporate Services	Simon Lange Simon.Lange@zqn.aero
<b>Senior persons per Civil Aviation Rules, part 139</b>	Chief Executive Officer	Scott Paterson
	GM Aeronautical Development	Simon Barr
	Manager Rescue Fire	Bill Wrigley
	Airside Operations Manager	Mark Harrington

## Abbreviations

AIAL	Auckland International Airport Limited
AVSEC	Aviation Security Service
CAA	Civil Aviation Authority of New Zealand
CASA	Civil Aviation Safety Authority (Australia)
CEO	Chief Executive Officer
CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CHC	Cristchurch Airport
F&B	Food and Beverage including cafes
FY	Financial Year – 1 July to 30 June
IATA	International Air Transport Association
MPI	Ministry of Primary Industries
NPAT	Net Profit after Tax
PC35	Queenstown Lakes District Council Plan Change 35 relating to Airport Noise boundaries.
QAC	Queenstown Airport Corporation, the company that owns and operates Queenstown Airport.
QLDC	Queenstown Lakes District Council
QRC	Queenstown Resort College
RMA	Resource Management Act
RTOs	Regional Tourism Offices
SOI	Statement of Intent
ZQN	Queenstown Aerodrome including airfield and terminal

## Appendix 1: Alignment of QAC's 2014-2016 SOI Goals and Objectives with QLDC's Council Outcomes

QAC SOI 2014-2016		QLDC 10 Year Plan 2012/2022	
QAC Goals	QAC Objectives 2014-2016	Council Issues being supported by QAC's Initiatives (see The Monitoring Process, QLDC 10-Year Plan 2012/2022)	Council Outcomes
Develop the Airport infrastructure and facilities to support the Region's growth while maximising utilisation of the existing facilities to avoid over capitalisation.	<ol style="list-style-type: none"> <li>Track and plan for future demand and trends.</li> <li>Scheduled airlines are approved to fully utilise ZQN's consented hours, subject to an acceptable safety case being developed.</li> <li>Airport developments are appropriate and timely.</li> <li>Update capacity study.</li> </ol>	<p>Improved transport network (including roading, public transport, airport, walkways and cycle ways).</p> <p>Increased economic strength.</p> <p>Amenity and character of townscapes and residential areas maintained or enhanced.</p> <p>Efficient use of urban land.</p>	<p>An enabling forward-looking financial strategy that is sustainable in the long term.</p> <p>A balanced growth strategy that promotes employment and business opportunities and supports a strong and diverse Community.</p>
Provide people using the Airport with a 'wonderful experience' consistent with our vision.	<ol style="list-style-type: none"> <li>The Airport user experience is superior.</li> <li>Improve people flows within and through the terminal.</li> </ol>	<p>Improved transport network (including roading, public transport, airport, walkways and cycle ways).</p> <p>Increased economic strength.</p>	<p>A resilient and participating Community that celebrates success, has pride in the District and its heritage and has thriving arts, cultural and sporting groups.</p>
Promote the Airport and the Region to grow visitor numbers.	<ol style="list-style-type: none"> <li>Support route development focused on increased services from Australia, Pacific Islands and New Zealand.</li> <li>Support regional events.</li> </ol>	<p>Improved transport network (including roading, public transport, airport, walkways and cycle ways).</p> <p>Increased economic strength.</p>	<p>Councillors and Council staff are respected for their approach, attitude, service delivery and governance.</p>
Establish the Airport as a preferred place to work and do business within the Region.	<ol style="list-style-type: none"> <li>Profile the diversity and growth in business.</li> <li>Tenants are updated on terminal developments and prospects.</li> <li>Customer satisfaction surveys.</li> </ol>	<p>A diverse Community.</p> <p>Increased economic diversification.</p> <p>Increased economic strength.</p>	<p>A natural and built environment that makes the Queenstown Lakes District a place of choice to live, work and visit.</p>

QAC SOI 2014-2016		QLDC 10 Year Plan 2011/2022	
QAC Goals	QAC Objectives 2014-2016	Council Issues being supported by QAC's Initiatives (see The Monitoring Process, QLDC 10-Year Plan 2012-2022)	Council Outcomes
Be socially and environmentally responsible for the benefit of the community in alignment with QLDC's desired outcomes.	<ol style="list-style-type: none"> <li>1. Monitor and manage water use and waste outputs.</li> <li>2. Implementation and management of Airport noise impacts.</li> <li>3. Support Community engagement.</li> <li>4. Participate in Council and Regional planning and work to establish an Airport Zone in the District Plan.</li> </ol>	<p>Water and waste infrastructure to keep up with the needs of the Community.</p> <p>Amenity and character of townscapes and residential areas maintained or enhanced.</p> <p>Efficient use of urban land.</p> <p>Protection and awareness of cultural history and sense of identity.</p> <p>Protection of natural landscape values (visual amenity, habitats and diversity of indigenous flora and fauna) and rural character.</p> <p>Public access to environment/open spaces (including the District's rivers, lakes and wetlands and public reserves).</p>	<p>An enabling forward-looking financial strategy that is sustainable in the long term.</p> <p>A balanced growth strategy that promotes employment and business opportunities and supports a strong and diverse Community.</p> <p>A resilient and participating Community that celebrates success, has pride in the District and its heritage and has thriving arts, cultural and sporting groups.</p> <p>Councillors and Council staff are respected for their approach, attitude, service delivery and governance.</p>
Operate as a successful business growing the return on funds invested in the medium and long term.	<ol style="list-style-type: none"> <li>1. Improve business returns to support the funding of growth capital and meet shareholder dividend expectations.</li> <li>2. Strive for operational excellence with continuous improvement programmes.</li> <li>3. Develop and motivate staff to embrace our vision for the business and to want to make a difference.</li> <li>4. Diversify revenues to de-risk the business.</li> </ol>	<p>Increased economic strength.</p> <p>A diverse Community.</p>	<p>A natural and built environment that makes the Queenstown Lakes District a place of choice to live, work and visit.</p>