

Queenstown Airport Corporation Ltd



# Statement of Intent 2019-2021

Final June 2018

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## Introduction

As a Council-Controlled Trading Organisation, Queenstown Airport Corporation (QAC) is required to prepare an annual Statement of Intent (SOI) which publicly states its strategic priorities for the next three years in accordance with Section 64(1) of the Local Government Act 2002. The SOI takes shareholder comments into consideration and provides performance targets for organisational accountability.

## About Us

### Queenstown Airport Corporation

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

In 2009, QAC was engaged by Queenstown Lakes District Council (QLDC) to manage Wanaka Airport's day-to-day operations. In 2017, QLDC determined that QAC would be awarded a long-term lease for both the management and 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. 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 comprises approximately 60 staff representing different experiences and backgrounds. We support diversity in all forms and are particularly encouraged by our mix of genders with female/male ratios of 50:50 in senior management and 48:52 across the QAC team.

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

- 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 by passenger numbers, Queenstown Airport's continuing growth and profitability have made it a strategic national asset and a key driver of the region's tourism industry and broader economy. The airport is the direct domestic and international entry point to the lower South Island, providing easy access to Queenstown, one of the world's premium visitor destinations, and to some of New Zealand's most renowned scenery and visitor experiences. As such, it serves the communities across the region and contributes significantly to the growth and prosperity of New Zealand's tourism sector.

Queenstown Airport services the region with frequent domestic and trans-Tasman flights. It receives direct scheduled services from New Zealand's main metropolitan ports of Auckland, Wellington and Christchurch which provide strong regional links throughout the country, as well as from the Australian cities of Brisbane, Coolangatta, Sydney and Melbourne. Auckland and Sydney airports are the major international hub airports for long-haul visitors to the region.

Queenstown Airport is heavily used for tourist 'flightseeing', especially to Milford Sound and Aoraki Mount Cook, and is New Zealand's busiest helicopter port. Private jets are also a growing market, both short and long haul, with aircraft now flying direct from north Asia and the west coast of the United States.

### Wanaka Airport

Wanaka Airport is located within a rapidly growing community and serves a broad range of visitors to the region. While there are currently no scheduled commercial flights, nearly 300 people work in and around the airport on day-to-day operations, including flightseeing to Milford and Aoraki Mount Cook and surrounding areas, helicopter training and maintenance, skydiving, private recreational aviation and charter operations. Since 1988, Wanaka Airport has hosted the internationally-renowned Warbirds over Wanaka airshow. In 2015, QAC formed a 10-year partnership with NASA for Wanaka Airport to become the site of New Zealand's first scientific space balloon launch.

## Company Value

As at 30 June 2017, QAC's land, land improvements and buildings were valued at \$298 million and included 137.3 ha on Frankton Flats and 149.5ha 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

QAC's business success and growth is intrinsically linked to the health of New Zealand's tourism and visitor industry. In turn, the industry depends on Queenstown and Wanaka airports to provide sustainable air connectivity and a world-class visitor experience to support its tourism industry goal of achieving \$41 billion annual revenue by 2025.

Global air travel is growing rapidly and, while New Zealand is a niche visitor destination because of its remote location, it is experiencing its strongest ever growth cycle, with several consecutive years of international visitor arrival growth. This growth is primarily driven by increases in international air capacity, competitive pricing and the country's global reputation as a beautiful, safe and friendly destination.

Queenstown Airport itself has experienced unprecedented growth and annual passenger movements (arrivals and departures) have increased from 600,000 passenger movements per annum in 2005 to 2 million in 2017.

To date we have responded to sustained passenger growth by delivering infrastructure 'just in time' which has suited those stakeholders who provide funding for such improvements. We continue to work closely with aviation and tourism partners to identify future opportunities, particularly building evening flight capacity, maintaining a consistent daily and seasonal schedule, and creating operational efficiencies through technology and process innovation.

Looking forward, our demand forecasts predict that annual passenger movements have the potential to increase to 3.2 million by FY2025, subject to destination infrastructure constraints. We are mindful that we must sustainably manage airport future growth in line with shareholder, stakeholder and community expectations.

When finalised, Queenstown Airport's 30-year Master Plan will provide a long-term roadmap for sustainable airport growth, covering areas such as infrastructure development, noise planning and transport connectivity, within the context of an exceptional customer experience. The Master Plan will also support the district with its own planning for transport, accommodation, tourism and other infrastructure developments. In the meantime, appropriately targeted investment in regional infrastructure and tourism facilities continues to be a critical factor in keeping pace with anticipated growth and retaining a quality visitor experience. Both from an airport perspective and as a proud community member, we are committed to working with communities and stakeholders to address these issues and maintain a healthy balance.

Continued pressure on the availability and affordability of visitor accommodation in peak periods, congestion on transport and road networks and a lack of affordable worker accommodation are impacting visitors and residents and may eventually impact visitor demand. These include the effects of noise, waste production, water consumption and traffic generation through customers, visitors and staff using the airport. Until these infrastructure challenges are collectively resolved, they pose a risk to achieving our strategic objectives.

QAC recognises that we play an important role in jointly addressing these issues, together with Council and other relevant parties. In order to fulfil the growth and development potential of Queenstown Airport, we are developing mitigating strategies in a collaborative manner with key stakeholders and local communities. As an example, as a member of the Queenstown Regional Transport Governance group, we are collectively addressing infrastructure, public transport, and demand management to deliver a shift towards more sustainable transport modes and a lower reliance on motor vehicles and improve transport choices.

## Vision

Queenstown Airport and Wanaka Airport complement each other. Both airports are important to the regional tourism industry and broader economy and will be positioned to reflect the unique character and needs of their communities. QAC uses a “two airports, one company” philosophy in managing the airports.

Our vision is to position Queenstown and Wanaka Airports collectively as a **World Leading Tourism Airport Group**, taking full advantage of the region’s appeal as a leisure and visitor destination. The success of our vision will be measured in 3 areas - *People, Place and Performance*, each with objectives related to our 4 major stakeholder groups - *Customers, Company, Airport Community and Local Community*.



<b>World Leading Tourism Airport Group</b>			
<b>Connecting people, sustaining our region</b>			
	People	Place	Performance
Customer	Every customer feels cared for and valued	Customers find the airport to be a safe, friendly and innovative environment that anticipates their needs and represents the best of the region	Exceptional customer feedback across the end-to-end airport experience
Company	A team that feels respected and empowered to deliver an outstanding customer experience	A safe, healthy and friendly work environment that supports “one team”	Optimised return on assets with sustainable growth in shareholder value while ensuring operational integrity and an outstanding customer experience
Airport	An airport community that works together to ensure an outstanding customer experience	A well planned airport connecting all activities, creating a sense of place and providing a platform for the airport community to grow and prosper	Airport community members consistently meeting their objectives
Community	A local community that is proud of and engaged with its growing airports	Connecting the region to the world whilst minimising the impact on the unique environment	Sustainable regional growth achieved through strong and innovative future planning

## Queenstown Airport

Queenstown Airport’s key point of difference is as a destination airport with a high potential for return visitation. Its ‘fly direct to destination’ value proposition is attractive to both domestic and international travellers, particularly those who are time-poor or those looking for an Australia/New Zealand dual destination holiday.

The sheer scale and beauty of our natural environment also sets us apart - the moment a passenger flies in to Queenstown and steps off their aircraft, whether they be a resident or visitor, they experience a wow factor. Our vision will never lose sight of creating a wonderful and unique lasting impression through our scenery, our people-first focus on safety, comfort and experience, and the boutique retail offering within the terminal designed to reflect the best of our region.

## Wanaka Airport

Wanaka Airport has the potential to play an important role in the region’s future air transport connectivity. With almost 300 people employed at more than 30 businesses, the airport is already a thriving micro-economy in the region and has the potential to grow in both its scale and contribution. Opportunities include the expansion of current commercial businesses, return of scheduled services and the development of other growth areas such as a centre of aviation excellence.

QAC intends to plan, develop and operate Wanaka and Queenstown airports in a complementary way to provide sustainable long-term regional services. We are committed to working with the communities served by the airport to develop a vision and plan that reflects their needs as well as the needs of key stakeholders.

We acknowledge and support the community-fostered vision released by the Shaping Our Future Upper Clutha Transport taskforce to develop Wanaka Airport as a “destination for high yielding innovative businesses creating a sustainable aviation hub for the region”. We also support its recommendation to develop Wanaka Airport into a ‘centre for aviation excellence’ which contributes positively to the Upper Clutha economy. This would include supporting activities such as Warbirds over Wanaka.

Our 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 Objectives

Our strategic objectives, as set out below, are designed to deliver our four strategic pillars:



## OPERATIONS STRATEGY

*Making journeys safe, secure, efficient and rewarding*

Objectives	Key initiatives	Performance targets	Timing
<b>Work with our airline and airport stakeholders to deliver passenger growth and share the rewards</b>	<ul style="list-style-type: none"> <li>Develop a comprehensive General Aviation (“GA”) Strategy, in collaboration with the GA operators, to support and inform the implementation of the Master Plan options.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive General Aviation strategy with operational, commercial and financial model.</li> </ul>	<ul style="list-style-type: none"> <li>March 2019</li> </ul>
<b>Deliver affordable, timely infrastructure for the safe, secure and efficient movement of people</b>	<ul style="list-style-type: none"> <li>Expand back-of-house facilities and capacity to accommodate growth.</li> <li>Continue to manage resourcing to meet both overall growth and growth in winter evening hours of operation. Continue strong focus on collaborative operations, continuous improvement and facilities management across the business.</li> <li>The acquisition of Lot 6 continues to be a priority in optimising airfield operations.</li> </ul>	<ul style="list-style-type: none"> <li>Joint taskforce focused on terminal capacity optimisation, end-to-end process improvement of passenger facilitation and operational efficiencies.</li> <li>Increase capacity in baggage make-up area.</li> <li>Purchase and implement new winter operations equipment.</li> <li>Apron asphalt overlay.</li> <li>Deliver 3-stage Potable Water Resilience Project.</li> </ul>	<ul style="list-style-type: none"> <li>September 2018</li> <li>December 2018</li> <li>June 2018 onward</li> <li>October 2018</li> <li>December 2019</li> </ul>
<b>Deliver New Zealand’s safest, most secure and efficient passenger experience through engaging with the airport community in collaborative operations</b>	<ul style="list-style-type: none"> <li>Continue to lead the promotion, scope and delivery of improvements for passenger facilitation, operational processes and systems.</li> <li>Establish baseline passenger processing time and set processing performance targets with border agencies.</li> <li>Work with Customs on expanding the nationalities which can use E-Gates.</li> <li>Work with Airways to introduce technology to manage the increasing risk of Unmanned Aerial Vehicle (UAV / drone) flights to aviation activities.</li> </ul>	<ul style="list-style-type: none"> <li>Seasonally-based passenger processing targets agreed and reported.</li> <li>New biometric automated passenger processing expanded to more nationalities.</li> <li>Quarterly targets shared with collaborative operations team and improvement targets set.</li> <li>Trial and identify UAV systems to approve, track and more effectively manage drone activities in controlled airspace.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> <li>July 2018</li> </ul>
<b>Deliver reliable facilities and infrastructure through asset lifecycle management, effective maintenance and contingency planning</b>	<ul style="list-style-type: none"> <li>Develop a comprehensive Asset Management Plan with maintenance management/corrective action ticketing and reporting software to track and manage maintenance activities.</li> <li>Planning and infrastructure in place for key utility services and aeronautical systems.</li> <li>Develop an energy conservation and waste minimisation programme.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive facilities maintenance and lifecycle replacement programme scoped.</li> <li>Airport utility and systems contingency risks identified and an implementation plan in place</li> <li>Set energy conservation and waste minimisation targets</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>November 2018</li> <li>August 2018</li> </ul>

## COMMERCIAL STRATEGY

*Providing value to our customers*

Objectives	Key initiatives	Performance targets	Timing
<b>Generate sustainable returns on property, leases, licenses and commercial property within QAC's portfolio</b>	<ul style="list-style-type: none"> <li>Continue to evaluate opportunities to grow commercial property portfolio.</li> <li>Rent reviews, lease renewals and new leases based on benchmarking and market dynamics.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate property management system with financial system.</li> <li>Leases/licences reviewed, renewed, up to date.</li> <li>New lease and license opportunities evaluated and implemented on case by case merits.</li> </ul>	<ul style="list-style-type: none"> <li>Dec 2018</li> <li>March 2019</li> <li>Ongoing</li> </ul>
<b>Generate sustainable aeronautical revenues</b>	<ul style="list-style-type: none"> <li>Review aeronautical pricing strategies and engage with stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable pricing model that provides fair returns to QAC and operators and supports capital investment.</li> </ul>	<ul style="list-style-type: none"> <li>2018-2019</li> </ul>
<b>Deliver value from transport networking activity by enhancing products, price and partnerships</b>	<ul style="list-style-type: none"> <li>Review and improve ground transport and roading networks and technology on airport landholdings.</li> <li>Review the carparking and transport strategy. Continue to develop opportunities for the commercial and public carparks.</li> <li>Review Park and Ride and future planning.</li> <li>Launch new transport products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate opportunities for car parking capacity efficiencies. Commercial transfer area optimised, with robust long-term planning.</li> <li>Park and Ride is a self-sustainable parking offering.</li> <li>Commercial revenue as per forecast.</li> </ul>	<ul style="list-style-type: none"> <li>December 2018</li> <li>June 2018</li> <li>2019-2020</li> </ul>
<b>Develop a boutique terminal retail mix that reflects the uniqueness and quality of the regional experience and optimises returns and customer satisfaction</b>	<ul style="list-style-type: none"> <li>Continue to develop a boutique shopping environment for customers, with the right mix of local owner-operators and national brands.</li> <li>Expand the pop-up programme and integrate into the retail mix as an adaptable proposition to increase customer choice.</li> </ul>	<ul style="list-style-type: none"> <li>Commercial revenue growth as per financial forecast</li> <li>Customer satisfaction targets</li> </ul>	<ul style="list-style-type: none"> <li>2018-2020</li> <li>Ongoing</li> </ul>
<b>Enhance the end-to-end customer experience through technology, wayfinding, services and offerings</b>	<ul style="list-style-type: none"> <li>Work with partners to create new and innovative ways to connect with customers.</li> <li>Continue to roll out improvements to wayfinding, ensuring that it provides the right information at key decision points</li> <li>Introduce opportunities for real time customer feedback and an integrated customer management system</li> <li>Input into master plan with a focus on more flexibility and an aim to introduce/update digital technology.</li> </ul>	<ul style="list-style-type: none"> <li>Review advertising assets, contracts and suppliers. Introduce digital sales channels.</li> <li>Review and report monthly research results. All customer interactions recorded in one system.</li> <li>Monitor satisfaction via monthly research results and continue ongoing reviews</li> <li>Use real-time data in decision making and terminal planning.</li> </ul>	<ul style="list-style-type: none"> <li>Phased plan</li> <li>March 2019</li> <li>Ongoing</li> <li>December 2018</li> </ul>



## PROPERTY AND PLANNING STRATEGY

*Making best use of our land and resources*

Objectives	Key initiatives	Performance targets	Timing
<b>Develop a 30-year Master Plan for Queenstown Airport that will inform internal planning, facilitate stakeholder &amp; community engagement and provide a spatial framework for the airport's future</b>	<ul style="list-style-type: none"> <li>Determine a preferred Master Plan option to provide guidance on the land needed for future aeronautical and non-aeronautical opportunities and planning requirements for growth.</li> </ul>	<ul style="list-style-type: none"> <li>Preferred Option identified</li> </ul>	<ul style="list-style-type: none"> <li>December 2018</li> </ul>
<b>Develop a programme of work to accommodate 2.5mppa in the existing Queenstown Airport terminal.</b>	<ul style="list-style-type: none"> <li>Work with core airport stakeholders to develop a programme of projects as a pathway to accommodating 2.5mppa capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Develop programme of projects</li> <li>Commence delivery of projects</li> <li>Complete programme</li> </ul>	<ul style="list-style-type: none"> <li>December 2018</li> <li>June 2019</li> <li>June 2020</li> </ul>
<b>Progress a project to increase Queenstown Airport's Noise Boundaries to accommodate planned growth targets.</b>	<ul style="list-style-type: none"> <li>Initiate a planning process to increase Queenstown Airport's noise boundaries to accommodate planned growth targets.</li> </ul>	<ul style="list-style-type: none"> <li>Public consultation on proposed changes</li> </ul>	<ul style="list-style-type: none"> <li>June 2018</li> </ul>
<b>Protect the airport company's long term objectives and capacity by inputting to national, regional and local planning, and addressing proposed developments/land uses within the airport's designations</b>	<ul style="list-style-type: none"> <li>Be proactive in regulatory planning issues, submitting as required on national, regional and local planning frameworks.</li> <li>Engage with the QLDC Proposed District Plan (PDP) process to ensure Queenstown and Wanaka airport's planning frameworks are provided for, protected or enhanced.</li> <li>Participate in community discussions to help maintain visitor experience and quality of life for the permanent resident base. This would assist in integrating the airport in the local community as it expands over the coming 30 years.</li> </ul>	<ul style="list-style-type: none"> <li>Airport Mixed Use Zone is approved and operative for both Queenstown and Wanaka Airports</li> <li>PC35 (QAC) and PC26 (Wanaka) provisions and recognition of Queenstown Airport as nationally significant infrastructure is effectively confirmed within the District Plan review</li> </ul>	<ul style="list-style-type: none"> <li>Stage I decisions due Q2 2018 (subject to QLDC's PDP timeline)</li> <li>2020 (subject to QLDC's final PDP timeline)</li> </ul>
<b>Develop land holdings to maximise return on investment while complementing long term aviation growth</b>	<ul style="list-style-type: none"> <li>Assess development opportunities for their long term sustainable value to Queenstown airport within our relatively constrained land available for this use. Specific opportunities being explored include working with QLDC on the development of a transport hub linked to QAC's transport network, visitor accommodation, and commercial/industrial development.</li> </ul>	<ul style="list-style-type: none"> <li>Broad development opportunities determined in Master Plan options report.</li> <li>Specific development opportunities to be identified following the identification of the preferred master plan option.</li> </ul>	<ul style="list-style-type: none"> <li>December 2018</li> <li>2020</li> </ul>

## PROPERTY AND PLANNING STRATEGY

*Making best use of our land and resources*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Work with key partners to ensure airport and connecting infrastructure supports the safe and efficient movement of people around the region and provides an outstanding visitor experience</b></p>	<ul style="list-style-type: none"> <li>• Work with partners to consider a transport hub which will support regional and visitor traffic, linking private vehicles, commercial transport, public buses and ferries.</li> <li>• Participate and provide joint leadership in the Transport Governance Group together with QLDC, NZTA and ORC.</li> </ul>	<ul style="list-style-type: none"> <li>• Support the promotion of multi-modal transport choices available at the airport.</li> <li>• Work with transport partners to identify key transport linkages associated with each of the Queenstown Airport master plan options.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Dec 2018</li> </ul>
<p><b>Acquire or rationalise land holdings to support our strategies</b></p>	<ul style="list-style-type: none"> <li>• Secure and develop Lot 6 to accommodate a 168m separated heavy taxiway and a new aviation precinct.</li> <li>• Assess opportunities to acquire other land that will support the long-term growth of the airport.</li> </ul>	<ul style="list-style-type: none"> <li>• Secure the acquisition of 'Lot 6'</li> <li>• Assess and present land acquisition opportunities on case by case merits</li> </ul>	<ul style="list-style-type: none"> <li>• FY19</li> <li>• Ongoing</li> </ul>
<p><b>QAC will continue to ensure that its planning is closely integrated to the long-term planning by QLDC for the Frankton Flats, Wakatipu Basin, and Wanaka environs.</b></p>	<ul style="list-style-type: none"> <li>• Participate and contribute to long-term planning initiatives led by QLDC or its strategic partners, including transport projects, Frankton Flats Master Plan, Wanaka Master Plan and other initiatives as they may arise.</li> </ul>	<ul style="list-style-type: none"> <li>• TBC</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes for all*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Achieve Zero Harm (People and Environmental Incident) through leadership focused on health, safety and risk management, clear accountabilities and effective systems</b></p>	<ul style="list-style-type: none"> <li>• Continue to engage the wider airport community in a collaborative approach toward continuous improvement in site health and safety.</li> <li>• Promote a ‘just culture’ and open reporting system where we focus on key learnings.</li> <li>• Maintain effective Health &amp; Safety environmental systems which exceed legislative requirements.</li> <li>• Regularly review the QAC Business Continuity Management (BCM) framework to reflect the size and response scale of operation.</li> <li>• Continue to practise and stress-test our emergency preparedness (Airport Emergency Plan).</li> <li>• Develop and implement contractor health and safety prequalification process.</li> </ul>	<ul style="list-style-type: none"> <li>• Target = achieve zero harm to people and environment</li> <li>• Implement comprehensive layered audit programme</li> <li>• ‘Just culture’ procedures embedded in business as usual operations</li> <li>• Achieve Operating and Effective level of ICAO/CAR based Safety Management System following CAA 2018 Audit</li> <li>• Stress-test BCM plan/contingency procedures</li> <li>• Further non-aeronautical (i.e. earthquake, terminal fire) exercises planned and delivered to stress-test our emergency preparedness</li> <li>• Implement contractor prequalification process.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Ongoing</li> <li>• Ongoing</li> <li>• Ongoing</li> <li>• December 2018</li> <li>• June 2018 onwards</li> <li>• Dec 2018</li> </ul>
<p><b>Invest in our team's development and wellbeing and build an empowered one team culture</b></p>	<ul style="list-style-type: none"> <li>• Continue to embed QAC's values throughout the company and wider airport community.</li> <li>• Consolidate the wellbeing programme across the organisation.</li> <li>• Promote diversity in all of its dimensions across the team</li> </ul>	<ul style="list-style-type: none"> <li>• Employee surveys completed on a regular basis</li> <li>• Staff feel valued and are recognised for a job well done</li> <li>• High level of engaged and motivated staff</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
<p><b>Create a deep understanding of our customers, their needs and desires - and how they'll change - to provide a memorable airport experience and effective value propositions</b></p>	<ul style="list-style-type: none"> <li>• Consolidate the data sets built over the past 18 months to build a comprehensive framework of customer insights.</li> </ul>	<ul style="list-style-type: none"> <li>• Create customer experience and journey framework</li> </ul>	<ul style="list-style-type: none"> <li>• December 2018</li> </ul>
<p><b>Work with our airline &amp; airport partners to optimise operational efficiency and visitor experience through lean and continuous improvement initiatives</b></p>	<ul style="list-style-type: none"> <li>• Work with airline, agency and other airport stakeholders to deliver cross-airport process improvement using lean and other tools.</li> </ul>	<ul style="list-style-type: none"> <li>• Utilise lean methodology for the assessment and evaluation of Pathway Strategy projects.</li> </ul>	<ul style="list-style-type: none"> <li>• FY18 and FY19</li> </ul>

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes for all*

Objectives	Key initiatives	Performance targets	Timing
<b>Build engagement with stakeholders and the wider region to connect more deeply with the community served by the airport</b>	<ul style="list-style-type: none"> <li>Proactive and regular communication with stakeholders.</li> <li>Use our company values to identify/refine community engagement opportunities.</li> <li>Participate in community discussions to help maintain visitor experience and quality of life for permanent resident base.</li> <li>Be a leader, working collaboratively at a local, regional and national level to find solutions to the region's destination management issues.</li> </ul>	<ul style="list-style-type: none"> <li>QAC staff are recognised leaders and role models among the wider airport team and community</li> <li>High level of engaged and motivated staff</li> <li>Supportive environment for wider airport community to work as one team</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> </ul>
<b>Implement the noise management plan to mitigate noise impacts and address community concerns</b>	<ul style="list-style-type: none"> <li>Mitigation work will continue rolling out for homes in the inner noise sector.</li> <li>Commence work on homes in the mid noise sector.</li> <li>Noise mitigation works to continue in annual or two-yearly tranches for the next 20 years.</li> </ul>	<ul style="list-style-type: none"> <li>Airport noise, as measured, is within the levels set in the District Plan</li> <li>Inner noise sector mitigation works underway, mid noise sector consultation commences.</li> <li>Regular, accurate and relevant communications</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> </ul>
<b>Optimise facilities and infrastructure to reduce energy consumption, reduce waste and enhance environmental sustainability</b>	<ul style="list-style-type: none"> <li>Reduce the climate change impacts of Queenstown Airport and realise cost savings from energy and fuel efficiencies.</li> <li>Set targets for annual total potable water consumption, annual total potable water savings and uptake water efficient technologies and opportunities.</li> <li>Set targets for annual waste production, annual waste recycled, and annual waste minimised.</li> <li>Build targeted supply chain partnerships to enhance Queenstown Airport's sustainability performance</li> <li>Set annual environmental performance targets, identify opportunities and implement projects to enhance NZ's biodiversity.</li> <li>Identify an appropriate sustainable business accreditation to measure and benchmark ongoing improvement in environmental sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Refer Aeronautical Strategy targets</li> <li>Quarterly report to the Board</li> <li>Baseline metrics and measurements established in line with a sustainable business accreditation process.</li> </ul>	<ul style="list-style-type: none"> <li>Refer Aeronautical Strategy timing</li> <li>March 2017 ongoing</li> <li>June 2017 ongoing</li> </ul>

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes for all*

Objectives	Key initiatives	Performance targets	Timing
<b>Fund airport strategies cost-effectively</b>	<ul style="list-style-type: none"> <li>Prepare a funding strategy for the Master Plan capital requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Long term funding strategy completed</li> </ul>	<ul style="list-style-type: none"> <li>Jun 2019</li> </ul>
<b>Technology improvements to improve visitor experience, business resilience and operational efficiency</b>	<ul style="list-style-type: none"> <li>A technology innovation strategy is developed to improve customer experience and increase adaptability for disruptive technologies.</li> <li>A Business Intelligence road map is developed to support decision making and lead to operational optimisation.</li> <li>Technology resilience is improved to support business continuity and disaster recovery.</li> </ul>	<ul style="list-style-type: none"> <li>Technology Innovation phase 1 is implemented</li> <li>Business Intelligence for airline data and regional visitor trend data is implemented</li> <li>Backup as a Service is implemented</li> <li>Cyber security improvements are implemented</li> </ul>	<ul style="list-style-type: none"> <li>Jun 2019</li> <li>Dec 2018</li> <li>Jan 2019</li> <li>Dec 2018</li> </ul>

# WANAKA STRATEGY

*Connecting Wanaka sustainably*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Develop a Master Plan for Wanaka Airport with input from the community, that provides a spatial framework for the airport's future</b></p>	<ul style="list-style-type: none"> <li>• Get a deeper understanding of the opportunities, issues and considerations relevant to Wanaka by working with the communities and stakeholders on a long term vision.</li> <li>• Based on the process followed for the Queenstown Airport Master Plan, prepare a Master Plan for Wanaka Airport which explores feasible opportunities to develop Wanaka Airport and contribute to services across the region. This will include technical studies, options, infrastructure and certification required, funding models, and timelines.</li> </ul>	<ul style="list-style-type: none"> <li>• Community engagement on vision for airport completed</li> <li>• Draft Master Plan completed</li> <li>• Community engagement on Master Plan completed</li> </ul>	<ul style="list-style-type: none"> <li>• June 2018</li> <li>• September 2019</li> <li>• June 2020</li> </ul>
<p><b>Foster an airport community culture focused on health, safety and risk management, clear accountabilities and effective systems</b></p>	<ul style="list-style-type: none"> <li>• Review/update systems and procedures to reflect new airport lease.</li> <li>• Review Airfield Conditions of Use.</li> <li>• Develop site safety forum.</li> </ul>	<ul style="list-style-type: none"> <li>• All WKA aeronautical documentation reviewed and registered as controlled document</li> <li>• Review Airside Safety Regulations including vehicle and driver permits</li> <li>• 12-month schedule of meetings agreed</li> </ul>	<ul style="list-style-type: none"> <li>• Dec 2018</li> <li>• July 2019</li> <li>• Dec 2018</li> </ul>
<p><b>Work towards becoming an economically viable and sustainable business</b></p>	<ul style="list-style-type: none"> <li>• Work with airport operators on developing a sustainable commercial pricing model and transition plan.</li> <li>• Market valuations and benchmarking, transition to new model by March 2019.</li> <li>• Evaluate other opportunities to generate sustainable returns which complement the Master Plan process.</li> </ul>	<ul style="list-style-type: none"> <li>• Airport community engaged throughout the process</li> <li>• Leases and Licences reviewed and up to date, including for activities and events</li> </ul>	<ul style="list-style-type: none"> <li>• July 2018</li> <li>• December 2018</li> <li>• June 2020</li> </ul>
<p><b>Work with key partners to ensure airport and connecting infrastructure supports the safe and efficient movement of people around the region and provides an outstanding visitor experience</b></p>	<ul style="list-style-type: none"> <li>• Work with key partners to develop an integrated approach to planning and development in the Wanaka region, including and development, transport and air connectivity.</li> <li>• Achieve Requiring Authority status for Wanaka Airport.</li> <li>• Acquire or rationalise land holdings to support our strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• Engage and contribute to the development of an Integrated Wanaka Transport Business Case (subject to agreement of approach with the Regional Transport Governance Group).</li> <li>• Apply for Requiring Authority Status with support from QLDC.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• June 2019</li> </ul>

## Key Strategic Projects

	FY2018	FY2019	FY2020	FY2021
<b>Queenstown Airport Master Plan</b>	Stakeholder/ community engagement.	Determine preferred option.	Implementation.	Implementation.
<b>Project Pathway</b>	Develop a programme of work to enable the existing Queenstown Airport terminal to accommodate 2.5mppa.	Implement projects to enable capacity to 2.5mppa.	Complete the programme.	Complete the programme.
<b>Noise Planning</b>	Continuation of PDP hearings incorporating PC35 provisions. Progress changes to noise planning framework.	Continue to progress changes to noise planning framework.	Finalise any changes to noise planning framework.	Finalise any changes to noise planning framework.
<b>Noise Mitigation</b>	Continue works in annual or two-yearly tranches for next 15 years.	Continue works in annual or 2-yearly tranches for next 15 years.	Continue works in annual or 2-yearly tranches for next 15 years.	Continue works in annual or 2-yearly tranches for next 15 years.
<b>Land Acquisition</b>	Environment Court decision.	Public Works Act (PWA) proceedings reinstated.	PWA decision. Continue to assess opportunities as they arise.	Continue to assess opportunities as they arise.
<b>Wanaka Airport</b>	Stakeholder/ community engagement on vision for airport.	Develop draft Master Plan.	Stakeholder/ community engagement on draft Master Plan.	

# Financial Forecast FY2018-2021

For the Financial Years Ending 30th June

\$'000

	FCT	FCT	FCT	FCT
\$'000	FY2018	FY2019	FY2020	FY2021
<b>Total Revenue</b>	<b>44,852</b>	<b>50,118</b>	<b>57,198</b>	<b>59,303</b>
<b>Operating Expenditure</b>	<b>14,167</b>	<b>16,114</b>	<b>17,021</b>	<b>17,339</b>
<b>EBITDA</b>	<b>30,685</b>	<b>34,005</b>	<b>40,177</b>	<b>41,964</b>
Interest Expense	2,442	3,757	5,277	5,995
Depreciation & Amortisation	7,824	9,594	13,962	16,415
Profit Before Tax	20,419	20,653	20,938	19,554
<b>Net Profit After Tax</b>	<b>14,405</b>	<b>13,965</b>	<b>14,351</b>	<b>14,025</b>
Dividends Paid <sup>1</sup>	7,169	7,202	6,983	7,175
Total Assets	341,967	455,914	497,486	547,088
Shareholders Funds	257,265	279,034	307,133	334,994
Operating Cash Flow	22,208	26,110	31,525	34,913
Investing Cash Flow	(30,572)	(106,351)	(33,993)	(44,419)
Closing Debt	60,022	147,465	162,664	185,528
<b>Financial Ratios</b>				
<b>Total Pax (000)</b>	2,117	2,325	2,468	2,500
Percentage International Pax	28%	29%	30%	31%
Total Revenue per Pax	\$21.19	\$21.55	\$23.18	\$23.72
NPAT per Pax	\$6.81	\$6.01	\$5.82	\$5.61
Return on Equity (NPAT to Avg SH Funds)	6.3%	5.4%	4.9%	4.4%
Return on Assets (NPAT to Avg Total Assets)	4.8%	3.7%	3.0%	2.7%
EBITDA > 2 times funding expense	12.6	9.1	7.6	7.0
Shareholders Funds to Total Tangible Assets > 50%	76%	61%	61%	61%

## Notes

1. Dividends calculated on a paid basis rather than earned.

Net Profit After Tax (NPAT) is expected to stabilise over the three year forecast period, with growth in passenger movements forecast to slow as Queenstown Airport approaches physical capacity in the terminal and aircraft movements permitted under noise consents. Dividend payments are forecast at 50% of prior year normalised NPAT. Capital investment is planned to continue over the next three years funded by operating cashflows and debt. The company is forecast to remain well within banking covenants.



# 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 Chair and CE 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 below).

## 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 2018-2020. 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**

QLDC and QAC have 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.

## 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

<b>Location:</b>	Queenstown Airport Corporation Airport Administration, Queenstown Airport Sir Henry Wigley Drive Frankton Queenstown 9300	
<b>Mailing address:</b>	PO Box 2641 Queenstown 9349 NEW ZEALAND	
<b>Phone:</b>	+64 3 450 9031	
<b>Email:</b>	<a href="mailto:admin@queenstownairport.co.nz">admin@queenstownairport.co.nz</a>	
<b>Websites:</b>	<a href="http://www.queenstownairport.co.nz">www.queenstownairport.co.nz</a> <a href="http://www.wanakaairport.com">www.wanakaairport.com</a>	
<b>Shareholders</b>	Queenstown Lakes District Council (75.01%) Auckland Airport Holdings (No2) Limited (24.99%)	
<b>Directors</b>	Prudence Flacks (Chair) Grant Lilly Michael Stiasny Norman Thompson Mark Thomson Adrienne Young-Cooper	
<b>Senior Management</b>	Chief Executive	Colin Keel <a href="mailto:colin.keel@queenstownairport.co.nz">colin.keel@queenstownairport.co.nz</a>
	Chief Financial Officer	Mark Edghill <a href="mailto:marke@queenstownairport.co.nz">marke@queenstownairport.co.nz</a>
	GM Operations and Safety	Mike Clay <a href="mailto:mikec@queenstownairport.co.nz">mikec@queenstownairport.co.nz</a>
	GM Property and Planning	Rachel Tregidga <a href="mailto:rachel.t@queenstownairport.co.nz">rachel.t@queenstownairport.co.nz</a>
	GM Commercial and Customer Experience	Olivia Pierre <a href="mailto:oliviap@queenstownairport.co.nz">oliviap@queenstownairport.co.nz</a>
	Manager – Communications and Community	Jen Andrews <a href="mailto:jen@queenstownairport.co.nz">jen@queenstownairport.co.nz</a>
<b>Senior persons per Civil Aviation Rules, part 139</b>	Chief Executive GM Operations and Safety	Colin Keel 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