

**QLDC Council**  
**23 April 2020****Report for Agenda Item | Rīpoata moto e Rāraki take 1****Department: Corporate Services****Title | Taitara Queenstown Airport Corporation Statement of Intent****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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The purpose of this report is to agree the Statement of Intent in accordance with section 65 of the Local Government Act 2002.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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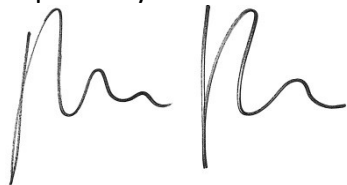
That Council:

1. **Note** the QAC is a Council Controlled Trading Organisation (CCTO) as per Section 6 of the Local Government Act 2002 (the Act) and must therefore comply with Section 64 of the Act that requires all CCOs to have a Statement of Intent that meets with the requirements of Schedule 8; this is a statutory requirement;
2. **Note** that QAC has delivered a Statement of Intent to Council which reflected its position prior to the onset of COVID-19, and includes explicit statements that record the limited relevance of the Statement of Intent with regard the circumstances that continue to unfold for the company as it seeks to respond and plan for a COVID-19 and post COVID-19 existence;
3. **Agree** with the company's position that its primary focus at present is to be directed towards maintaining the operability of the business and the welfare of its staff and business customers;
4. **Note** that QAC will need to understand the significant impact of COVID-19 and that the Statement of Intent will need to be modified when the immediate market challenges are stabilised, the impact is better understood and the company is in a better position to develop a relevant three-year Statement of Intent;
5. **Note** that the Council has no further comments to make on the Draft Statement of Intent provided by QAC, on the understanding that the Statement of Intent will need to be substantially modified later to reflect the impact of COVID-19;
6. **Agree** under s 65(2) of the Act, the Statement of Intent delivered to it by QAC on 20 March 2020 which will enable QAC to commence reforecasting immediately;
7. **Confirm** an expectation as shareholder that QAC will provide a modified Statement of Intent to Council using the process set out in clause 5 of Schedule 8 of the Act, allowing sufficient time for Council consider and comment on the

modified Statement of Intent before presenting it to Council at its 29 October 2020 for agreement;

8. **Agree** that the QLDC QAC Steering Committee continues to liaise as required to consider key issues prior to a modified draft being workshopped by full Council;
9. **Affirm** the Council's confidence in the capability and capacity of the Board and management of QAC to protect the asset and maintain a successful and future focussed airport CCTO on behalf of the district.

Prepared by:



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General Manager Corporate

9/04/2020

Reviewed and Authorised by:



Mike Theelen  
Chief Executive

9/04/2020

## CONTEXT | HOROPAKI

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- 1 This paper is a pragmatic response to a unique and unprecedented situation of global magnitude. The impacts of COVID-19 across the planet, the country and the Queenstown Lakes District remain formative but will be profound for members of our communities and for our economy. Although at the time of this meeting we remain in lock down, the Council must look to recovery.
- 2 The Queenstown Airport Corporation is of critical importance to the recovery of our district and Council will be asked to adopt a unique approach today to enable the QAC to direct its immediate energies towards the stabilisation and survival of the business as well as providing scope to focus on recovery planning.
- 3 The QAC is a Council Controlled Trading Organisation (CCTO) as per Section 6 of the Local Government Act 2002 (the Act). As such a Draft Statement of Intent must be prepared by the board of directors of Queenstown Airport Corporation Limited (QAC) for its shareholders in accordance with Section 64(1) of the Act.
- 4 The Statement of Intent is a public and legally required document. It is agreed annually in consultation with shareholders and covers a three-year timeframe. This Draft Statement of Intent 2020/21 covers the period from 1 July 2020 to 30 June 2023 and of significant note, it was prepared and consulted on with the Council before COVID-19 caused the Government to close the country's borders on 19 March 2020.
- 5 The Council does want to acknowledge that the current Draft Statement of Intent 2020/21 has positively introduced changes to reflect the Statement of Expectations approved by Council on the 25 February 2020, again before COVID-19.
- 6 COVID-19 represents a major strategic challenge for QAC, its shareholders, the district and the nation and the impact will take some time to comprehend and plan for.
- 7 On 6 April 2020 the QAC Board Acting Chairwoman Adrienne Young-Cooper briefed the Council on the board's mission: *to safeguard the core capability (assets and people) of QAC to operate airports for the Southern Lakes region in recovery*. The QAC confirmed that the forecasts in the Statement of Intent are of limited relevance, that the business had, since lock down been constantly re-evaluating its financial forecasts, and while confident of its ability to survive, had little capacity at this juncture to have a stable enough view of the future to present a fully competent and relevant Statement of Intent.
- 8 QAC Chief Executive Colin Keel outlined that the company has developed four key pandemic business priorities which are now outlined at the beginning of the Draft Statement of Intent. They are:
  - a. *Keep our people healthy, safe and connected with appropriate work arrangements;*
  - b. *Keep our communications coordinated, responsive and timely and across multiple channels;*
  - c. *Keep the airports operational and resilient;*

*d. Keep the business financially stable and support our airport community where possible and preserve our ability to recover.*

- 9 The Board was able to confirm that it has been able to preserve liquidity in the interim and when modest domestic operations commence it has secured deficit facilities to cover operation costs for the period of recovery. Recovery is anticipated to be a matter of years, not months.
- 10 On this basis, Council is being asked to consider an approach that the current draft be adopted as a 'point in time' exercise to enable the QAC to meet its compliance obligations and to provide the company the time and capacity to enable the QAC to commence work on a modified Statement of Intent for 2020/21 for formal consideration by Council towards the end of the second quarter (Full Council 29 October 2020).
- 11 Notably, this will enable the modified Statement of Intent to reflect both the QLDC Spatial Plan and the Economic and Social Impact Assessments, all of which will help inform the future direction for the company along with the yet to be understood global changes in air services, travel patterns and both domestic and international travel demand. Note that all three documents as outlined are being reviewed in light of COVID-19. The recommended course of action (Option 1) has the advantage that all documents, including the modified Statement of Intent can align.
- 12 It should be noted that this approach is fully supported and endorsed by Auckland International Airport Limited in its capacity as minority shareholder.
- 13 Council remains mindful that one of the immediate chief responsibilities of the company is to accommodate and support the large number of airport related staff who form part of our communities; this is a very challenging and difficult period. The impact on the wider airport communities of Wānaka and Queenstown extends to 900 people across over 80 businesses. For QAC staff, 70 people have been impacted by either salary reductions or redundancy.

#### **ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU**

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- 14 Option 1 That Council receive the QAC Statement of Intent 2020/21 to meet compliance requirements and to enable work to commence on a modified SOI to reflect the impact of COVID-19

*Advantages:*

- 15 The current draft is no longer relevant. By receiving the document in April 2020 this enables the QAC to focus on a modified Statement of Intent that accurately reflects the financial and business impacts of COVID-19.
- 16 Public interest in this process will be better and more meaningfully served through a modified Statement of Intent that reflects the true impact of COVID-19, and can incorporate the findings from both the Council's Spatial Plan and the Economic and Social Assessment currently being completed.

*Disadvantages:*

- 17 A perception that QAC may still rely on what is now a redundant Statement of Intent.
- 18 A perception that the 'point in time' approach does not serve public interest on the redundant Statement of Intent.
- 19 Option 2 That Council does not receive the QAC Statement of Intent 2020/21 in April to enable work to commence on a modified Statement of Intent to reflect the impact of COVID-19, but instead requires the QAC to complete reforecasting by the end of June 2020.

*Advantages:*

- 20 The process reverts to the original intended process before COVID-19.
- 21 This may alleviate any perception that QAC may still rely on a redundant Statement of Intent.

*Disadvantages:*

- 22 The QAC has outlined it cannot meet this deadline and will not be able to fully understand the impact until the second quarter (October/November).
- 23 That the focus on producing a modified Statement of Intent in time for its agreement by Council no later than 30 June 2020 will divert critical resources from the focus on sustaining the immediate business.
- 24 That the rapidly changing commercial outlook for business, tourism and air travel remains so fluid that any firm forecast developed over the next two months is likely to be of limited value and accuracy, and provide only limited confidence to shareholders.
- 25 This report recommends **Option 1** for addressing the matter due to the absolute quantum of the current situation and the need to work with the QAC to ensure this critical infrastructure asset can move appropriately through recovery.

**CONSULTATION PROCESS | HĀTEPE MATAPAKI:**

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**> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA**

- 26 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because the decision is to receive the Statement of Intent to enable QAC to be compliant and enable it to commence immediately on a modified Statement of Intent.
- 27 As outlined in Section 64 of the Act, this is a public process between shareholders and council-controlled organisations. The process is not subject to public consultation but it is acknowledged that the future of this critical public asset will be of wide public interest.

## > MĀORI CONSULTATION | IWI RŪNANGA

28 The Council has not specifically undertaken iwi consultation on this matter as outlined above.

## RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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29 This matter relates to the financial risk category. It is associated with RISK00020 and RISK00037 within the QLDC Risk Register in relation to unexpected financial change and lack of alignment. This risk in relation to the recommendation has been assessed as having a moderate inherent risk rating.

## FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

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30 The recommended decision has no financial implications but is undeniably signalling a significant financial QAC reforecasting which will impact on QLDC ratepayers and residents.

## COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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31 The following Council policies, strategies and bylaws were considered:

- 10 Year Plan 2018-28
- Annual Plan 2020/21

32 The recommended option is consistent with the principles set out in the named policy/policies.

33 This matter is included in the Ten Year Plan/Annual Plan

## LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

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34 Council has been advised that there is no legal impediment to receiving the Statement of Intent on 23 April 2020 as per the recommendation.

## LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

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35 The QAC operates key infrastructure assets for the district. As such, the recommendation to enable the QAC to work on a modified Statement of Intent based on the impact of COVID-19 is appropriate and within the ambit of Section 10 which requires Councils to meet the current and future needs of communities for good-quality local infrastructure in the most cost-effective way for households and businesses.

## ATTACHMENTS | NGĀ TĀPIRIHANGA

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A	QAC Statement of Intent Year Ending June 30 2021
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