

QLDC Council
29 September 2016

Report for Agenda Item: 5

Department: Property & Infrastructure

Special Consultative Procedure (SCP) to help determine the Wanaka Airport future governance and management model

Purpose

For Council to consider the Business Case and proposed Statement of Proposal and approve the completion of the SCP.

Public Excluded

It is recommended that Attachment E to this report is considered with the public excluded, in accordance with the Local Government Official Information and Meetings Act 1987, section 7(2)(g), on the grounds that the withholding of the information is necessary to maintain legal professional privilege.

Recommendation

That Council:

1. **Note** the contents of this report;
2. **Adopt** the Statement of Proposal for consultation on the Wanaka Airport future governance and management model;
3. **Determine** that it is not necessary to prepare a summary of the proposal for the public;
4. **Direct** Council officers to report back to the Council following the completion of the Special Consultative Procedure on the Wanaka Airport future governance and management model; and
5. **Note** that the Councillors to hear public submissions on the proposal will be determined following the forthcoming local body elections.

Prepared by:



Richard Pope
Property Manager

22/09/2016

Reviewed and Authorised by:



Peter Hansby
General Manager, Property &
Infrastructure

22/09/2016

Background

- 1 At a meeting on 28 April 2016, the Council considered an Astral Limited report dated 20 April 2016 entitled “The Wanaka Airport Planning and Development Report”. The report was compiled to consider the future direction and governance of the Wanaka Airport. The report touched on five ownership, governance and management options for the Wanaka Airport.
- 2 At the 28 April meeting Council instructed officers to investigate the governance options and report back to Council on a preferred governance model for Wanaka Airport for consideration by Council.
- 3 Consultants from Rationale Limited were engaged to assist with the development of possible options at the initial stage of developing the business case. The options were then workshopped by the Council and the Wanaka Community Board (**WCB**) at a meeting on 12 July 2016.
- 4 Both the attached Wanaka Airport Strategy (Attachment C) and the Proposed Statement of Proposal (Attachment A) provide an analysis and overview of the case, and process adopted. The case for change is predicated on three business key benefits, which were developed and the used to rank and compare both a long list, and ultimately a short list of options. The benefits sought from the change are:
 - Improved, well aligned air services for the District
 - Improved economic and financial performance
 - Quality investment decisions

These benefit outcomes reflect the fundamental the importance placed by the Council on ensuring that the District continues to retain well resourced, and well connected for air services across a range of scales, modes and capacity, that serves the District’s long term interests, economically socially and physically. As the owner of both Wanaka and Queenstown Airport the Council and the community are vitally interested in the continued economic health of the facilities. The Council through the earlier Astral report also recognised the significant investment required for Wanaka over the coming years, and is mindful of achieving the most cost effective way to support this for the ratepayers of the District. The final benefit identified seeks to ensure that the governance and management structures applied to the airport are best placed to achieve the other two benefits.

The benefits were then applied to a wide series of options which were then narrowed to a short list of options, which were taken through greater review. The long list was identified in Sec 3.2 of the Rationale report, and spanned from the status quo / simple enhanced management services regime, to a full commercial scale of the asset. Within these long list options there was specific recognition of the current management ownership by QLDC of an existing CCTO in the Queenstown Airport Corporation (QAC).

From the longer list the five options were considered in more detail. These are summarised in Section 3.2 of the attached Rationale report, and are also outlined in Section 4 of the Statement of Proposal. These four options are:

- Status Quo
- Status Quo with enhanced planning and governance
- Lease to Queenstown Airport Corporation
- Sale to Queenstown Airport Corporation
- District Wide Air Services

The preferred option recommend to Council is to enter into a long term lease with QAC.

This option transfers the operations, long-term planning and governance of the Wanaka Airport to QAC, a party with the expertise necessary to plan and develop an airport. Ultimate ownership remains with the Council. The interest in the Airport granted by the lease would incentivise QAC to make a significant capital investment in the Airport to improve its profitability. The Council would retain ultimate control of the direction of the Airport through mechanisms retained in the lease and, because QAC is a CCTO, through the Statement of Intent. The involvement of the Council through those means would provide a way in which the Wanaka community could continue to have a say in the future direction of the Airport.

From a financial perspective, the modelling undertaken as part of the business case analysis by Rationale Limited suggests that there will be a moderate increase in the Council's revenue from Wanaka Airport. The benefits resulting from increased capital expenditure by QAC will also be realised by the Council and community. It is not anticipated that the increased capital expenditure will impact on the dividend received from QAC.

At this stage the detail of any lease agreement with QAC has not been determined. If the S.O.P is adopted and finally approved following submissions, then the Council and QAC will need to negotiate appropriate lease conditions. The tenure and value of the lease will both be influenced by the level and rate of investment QAC will wish to make into Wanaka Airport as part of an overall plan for the future development of the site.

- 5 Within the Queenstown Lakes District Council's (**QLDC**) Significance and Engagement Policy (2014) Wanaka Airport is listed as a Strategic Asset. The policy states that any decision that transfers or changes control of strategic assets is a significant matter and will trigger the Special Consultative Procedure (**SCP**) contained in the Local Government Act 2002 (**LGA**). While the proposed change in governance model does not necessarily affect the Council's ultimate control of the Airport, it is recommended that the Council conduct consultation with the public via the SCP.

- 6 Due to the impact of the local government election period, the proposed SCP is recommended to start immediately, but to continue for longer than the statutory minimum of one month. A plan for the procedure is attached to this report (**Attachment D**).

Comment

- 7 The statement of proposal (**Attachment A**) sets out the background to the decision to consult on possible changes to the management and governance of Wanaka Airport. The Astral Report (attached at **Attachment B**) and business case (**Attachment C**) identified, that strategically the airport ought to run as a complementary and supplementary facility to Queenstown Airport. It is noted that Wanaka Airport could become a base for general aviation services, and that scientific services, such as the NASA balloon programme, could become important. If planned and managed well, there was an opportunity for growth and development of the Airport, both to increase services to Wanaka residents, but also to reduce pressure on Queenstown Airport.
- 8 However, as both the Astral report and subsequent work on a Single Stage Light Business Case by Rationale (attached at **Attachment C**) have identified, under the current model, investment in infrastructure is reactive and unlikely to enable the airport to meet future growth. Overall the current management and governance arrangement is considered to have resulted in sub-optimal investment in the Airport.
- 9 The Rationale business case supports changes to the current governance and management structure. It analyses the advantages and disadvantages of the five considered options together with high level modelling of the commercial and financial cases. The preferred option is a long term lease and management arrangement with QAC.
- 10 The Statement of Proposal provides a summary of the analysis of the various options in table form from the Rationale Business Case.
- 11 The Statement of Proposal sets out reasonably simply and clearly the range of governance structures considered reasonably practicable, the advantages and disadvantages of each, and the Council's preferred option. It is a simple and short document. It is therefore recommended that a summary of the statement of proposal not be considered or adopted because it is not necessary to enable the public to understand the issue or proposal on which their views have been sought.

Options

This report identifies and evaluates the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002. In this instance the specific options analysis for the change are contained and detailed in the strategic business case, and have been discussed above. The options section considers addressing whether the Council should proceed to initiate the change process.

- 12 Option 1 Status Quo or Do Nothing

Advantages:

- No disruption to current management/services.
- No need to carry out SCP.

Disadvantages:

- An opportunity to improve the governance model of a strategic asset will be missed or delayed.
- The Wanaka Airport may continue to operate independently and not respond to the increased demand for air services in the district or meet the needs of both visitors and residents.
- The Wanaka Airport may not receive the benefit of new or additional investment that was identified in the Astral report as being desirable for the future functioning of the Airport.
- The public's comments on the potential for change, and preferred models, will not be considered.

13 Option 2 Adopt the Statement of Proposal and complete the SCP

Advantages:

- Continues to progress the work stream that the Council has initiated.
- The Statement of Proposal addresses the issues first raised by the Astral report, and provides for future development of the Airport, through a modified governance arrangement to be tested with the community.
- Provides the opportunity to hear from the community on the proposal for the future governance and management of Wanaka Airport.

Disadvantages:

- The soon to be elected Council may have a different opinion on the preferred options for the governance model, resulting in some duplication or wasted effort.

14 Option 3 Defer adoption of the statement of proposal and initiation of the SCP until it can be considered by the new Council.

Advantages:

- Allows for the same Council to approve the statement of proposal, consider the consultation feedback and take the decision.
- Timing of the consultation can be arranged to suit the new Council agenda.

Disadvantages:

- Delays engagement with the community and the feedback on the proposal.

- Delays the decision.
- Delays implementation of improved governance structure.

15 This report recommends Option 2 because it gets the consultation and decision process underway. It takes advantage of the current Council's knowledge and experience with the matter, and will enable the new Council to consider the public feedback and make a decision in late December or early January.

Significance and Engagement

16 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because the Wanaka Airport is classified as a Strategic Asset.

Risk

18 This matter relates to the strategic risk SR1 'Current and future development needs of the community' as documented in the Council's risk register. The risk is classed as high. This is because of economic, social, and reputational risks.

19 A key element of this risk is meeting the current and future needs of the community and providing for development that is consistent with the strategic direction of Council's Policies and Strategies.

Financial Implications

20 The estimated cost associated with this decision to undertake this SCP is \$10,000.

Council Policies, Strategies and Bylaws

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

- Significance and Engagement Policy Nov 2014

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

Local Government Act 2002 Purpose Provisions

23 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by seeking the input from the community on the proposed Wanaka Airport future governance and management model;
- Is consistent with the Council's plans and policies.

Consultation: Community Views and Preferences

- 24 The persons who are affected by or interested in this matter are the residents/ratepayers of wider Queenstown Lakes District community and those with specific interest in aeronautical and airport services across the district.
- 25 The proposed SCP is designed to specifically consult with the community and obtain their views on the proposal.
- 26 The Council has consulted with the Wanaka Community Board in the development of the options and Statement of Proposal.

Attachments

- A Statement of Proposal
- B Astral Report
- C Wanaka Airport Strategy Business Case
- D Wanaka Airport Consultation Plan
- E Lease Option legal advice – Public Excluded