



**WANAKA AIRPORT**

**CONSULTATION ON CHANGES TO GOVERNANCE MODEL**

**STATEMENT OF PROPOSAL**

**22 September 2016**

# 1 Summary

- 1.1 QLDC is considering options for changing the governance and management model of Wanaka Airport. The Council is formally consulting the District, and in particular the Wanaka Ward, to see whether there is support from the community for changing the model. This statement of proposal outlines the Council's preferred option, and sets out the advantages and disadvantages of the options considered reasonably available to the Council. The Council wants to understand whether the community agrees or disagrees with the Council's preferred option.
- 1.2 The Council's preferred option is to enter into a long term lease and management arrangement with Queenstown Airport Corporation Ltd (**QAC**) (a council controlled trading organisation). The lease would be structured to incentivise investment by QAC in Wanaka Airport to enable the Airport to enable it to meet the projected growth in the District's air services over the next decade or longer.
- 1.3 The proposal is the result of several months of investigations and has been considered in the light of the current and future needs of the wider Queenstown Lakes district. The Council considers that the status quo or "do nothing" option is likely to lead to insufficient investment in necessary Airport infrastructure, resulting in the Airport not keeping up with anticipated growth.
- 1.4 The governance models considered reasonable available are:
- (a) Continuing with the status quo;
  - (b) Continuing with the status quo, with some enhanced planning and governance changes;
  - (c) Entering into a lease and management arrangement with QAC on a long-term basis (**preferred option**);
  - (d) Selling the Airport assets to QAC;
  - (e) Leasing or selling the airport assets to QAC as part of a realignment of District-wide air services including Glenorchy aerodrome.

# 2 Background

## Current governance of Wanaka Airport

- 2.1 The Council owns the land on which Wanaka Airport sits, the airport-related infrastructure (runway etc) and various buildings on the site. Some of the buildings and hangars are owned privately but are subject to ground leases granted by the Council.
- 2.2 Overall management of the Airport became a Council function in 1990. The overall strategic management of the Airport has been delegated to a committee of councillors – the Wanaka Airport Management Committee. For a number of years day to day operations have been performed by QAC under a management agreement.
- 2.3 QAC was incorporated in 1988. It is a Council Controlled Trading Organisation. Its shareholders are the Council (75.01%) and Auckland International Airport Ltd (24.99%). QAC also provides airport and property expertise to the Council in relation to the management of the Glenorchy Aerodrome.

- 2.4 Under the existing management agreement:
- (a) QAC provides various services in return for a management fee. The services include governance, operations (including airport operations, employment, health and safety and employment of staff), planning and lease management, regulatory compliance, and financial management and reporting. QAC agrees to run the airport in an efficient and compliant manner ensuring performance of a variety of tasks listed in the agreement against performance indicators.
  - (b) The Council is responsible for funding any capital projects.
- 2.5 The Airport operates as an non-certificated airport under the Civil Aviation Act 1990.
- 2.6 At the moment Wanaka Airport has a modest income stream of about \$230,000 annual earnings before interest and tax, which is largely comprised of landing fees and ground rents.
- 2.7 The Council's long-term plan has a total capital programme of \$396M, of which \$1.5M relates to Wanaka Airport. Capital expenditure at the Airport depends on other core Council priorities such as network infrastructure. This level of investment is reactive only and is required to maintain existing infrastructure. It is insufficient to achieve the development required over the next decade or more to provide for the expected growth of the Airport.

### **Future Growth**

- 2.8 The airports of the Queenstown Lakes district provide an important service to residents and businesses alike. They cater to the demands of an increasing number of domestic and international travellers, as well as providing a hub for freight. This movement of people and goods in and out of the district is vital to the many local businesses that rely on tourism for their bottom line.
- 2.9 Demand for air services across the District is increasing. Land and planning constraints make further expansion of Queenstown Airport difficult. At the same time, under its present governance structure, there is little incentive for the capital expenditure necessary to attract aviation services to Wanaka Airport. This provides a significant opportunity for Wanaka Airport to grow. If planned and managed well, this could provide not only increased services to the Wanaka area, but also reduced pressure on Queenstown Airport.
- 2.10 The future role of Wanaka Airport has been identified as being a complementary and supplementary facility to Queenstown Airport, able to accommodate aircraft spill-over from Queenstown Airport. Spill-over of general aviation services is increasingly likely to occur as Queenstown focuses its capacity on accommodating jet air transport flights, and can drive economic growth in Wanaka.
- 2.11 Wanaka Airport is already internationally renowned for the bi-annual Warbirds over Wanaka air show but it could also become the base for general aviation in the region as well as accommodating scheduled and charter air transport service itself. Scientific aviation activities, such as the NASA balloon programme, may become increasingly important and provide additional opportunities for growth to the wider district.
- 2.12 Future growth at the airport could well require the purchase and development of additional land at the current site and development of the existing site to provide further space for ground leases. The Council has received a number of requests for additional ground spaces to rent which Wanaka Airport currently cannot accommodate due to space restrictions.

### 3 Why Now?

3.1 It is considered that the time to reconsider the governance model of Wanaka Airport is now, to ensure that the Airport has the space, the planning framework and the governance structure to best ensure it can absorb overflow general aviation and air transport services from Queenstown. Given the growing needs of the community and the need for commercial assets to show a positive return on investment, there is a compelling case for change in the way the airport is governed and managed.

### 4 What are the options?

Option	Advantages	Disadvantages
<b>1.Status quo</b>	<ul style="list-style-type: none"> <li>• No disruption to current management/services.</li> <li>• QLDC retains the ability to directly control direction of the airport.</li> </ul>	<ul style="list-style-type: none"> <li>• Unlikely ever to fulfil Civil Aviation Act requirements for Part 139 Certification (relating to requirements to take larger aircraft).</li> <li>• Unfocused strategic direction and governance responsibility.</li> <li>• Council lacks airport strategy expertise.</li> <li>• Necessary capital funding competing for funding against other council priorities.</li> </ul>
<b>2.Status quo with enhanced planning and governance</b>	<ul style="list-style-type: none"> <li>• More focused approach to governance and better opportunity to achieve strategic aims.</li> <li>• Dedicated resource to take control of the management of the airport.</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough incentive offered for manager to drive significant change/growth.</li> <li>• Still competing for funding against other council priorities.</li> </ul>
<b>3.Lease to Queenstown Airport Corporation</b>	<ul style="list-style-type: none"> <li>• QLDC would receive regular income from leasing agreement as well as 75.01% share of dividend payments.</li> <li>• QAC has expertise and experience to make quality investment decisions.</li> <li>• QLDC able to influence investment decisions and direction of airport through Statement of Intent and as lessor.</li> <li>• More focused approach to governance and best opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Potential community concern around losing control of the airport’s strategic direction.</li> <li>• Potential resistance from lease / licence holders and operators to increases in fees in order to match development aspirations (and effects of development on land values).</li> <li>• A perceived profit ahead of outcomes for the Wanaka community.</li> </ul>

		<p>to achieve strategic aims.</p> <ul style="list-style-type: none"> <li>• QAC better incentivised to increase capital expenditure and profitability.</li> <li>• QAC already has personnel capable of meeting Civil Aviation Act requirements for Part 139 certification.</li> </ul>	
<b>4.Sale to Queenstown Airport Corporation</b>		<p>Generally, as per Option 3 plus:</p> <ul style="list-style-type: none"> <li>• A significant sum would be paid to QLDC on sale of assets.</li> <li>• QLDC would still be majority shareholder of QAC with some control over strategic direction of Wanaka Airport via Statement of Intent under the Local Government Act.</li> </ul>	<p>Generally, as per Option 3 plus:</p> <ul style="list-style-type: none"> <li>• Asset would no longer be wholly owned by QLDC (24.99% would be owned by AIAL).</li> <li>• QLDC would lose substantial control over direction of airport and investment decisions.</li> <li>• Greater potential community concern around losing control of the airport.</li> </ul>
<b>5.District-wide services</b>	<b>air</b>	<p>As per Option 3 or 4 plus:</p> <ul style="list-style-type: none"> <li>• Opportunity to include Glenorchy aerodrome as part of integrated district-wide air services.</li> </ul>	<ul style="list-style-type: none"> <li>• As per Option 3 or 4 plus:</li> <li>• Would require reconsideration of recently notified Glenorchy Airstrip Reserve Management Plan.</li> <li>• Potential community concern around commercialisation of Glenorchy Aerodrome.</li> </ul>

4.1 For completeness, a further option identified, but not considered in detail, was sale of the Airport on the open market. This could result in misaligned objectives for Queenstown and Wanaka Airports, competition between them, and overall poor outcomes for the community.

## 5 What is the preferred option?

5.1 The Council's preferred option is to enter into a long term lease and management agreement with QAC.

5.2 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.

- 5.3 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.
- 5.4 As a governance approach, this option is similar to that recently taken by the Council in respect of the District's campgrounds, where the Council leases the campground assets to a third party operator. The main difference is that in the case of a lease to QAC, QAC is a Council-controlled trading organisation.
- 5.5 Overall, the Council considers that this option provides the best balance of advantages and disadvantages and will best meet the Council's objectives and the needs of the community.

## **6 What are the costs of each option?**

- 6.1 The Council does not consider that any of the options would affect the operational costs the Council incurs each year in running the Airport. In fact, for each option (other than the status quo or the status quo with enhanced planning and governance), the Council expects that it would be better off financially.
- 6.2 With little investment planned for the Wanaka Airport in the 2015 long-term plan, the financial outcome of the preferred option (lease) is relatively minor and only positive in nature.
- 6.3 If it appears once public consultation has occurred and the detail of the governance arrangements are known that there could be a cost to ratepayers from the new arrangement, the Council would undertake a further consultation process with the public on the decision.

## **7 The timeline**

- 7.1 The timeline for a decision to be made on the future governance arrangements is:
- (a) Council resolves to consult the public on the future governance arrangements – 29 September 2016;
  - (b) Consultation period begins – 1 October 2016;
  - (c) Submissions close – 18 November 2016;
  - (d) Public hearings – December 2016;
  - (e) Decision – December 2016;
  - (f) Implementation of arrangements – January – March 2016.

## **8 Inspection of Documents and Obtaining Copies**

- 8.1 Copies of this proposal and the supporting reports may be inspected, and a copy obtained, at no cost, from:
- (a) Either of the Council offices at 10 Gorge Road, Queenstown or the Wanaka Service Centre, 47 Ardmore Street, Wanaka

- (b) Any Council library within the Queenstown Lakes District.
- (c) The Council website – [www.qldc.govt.nz](http://www.qldc.govt.nz)

## **9 Right to Make Submissions and Be Heard**

- 9.1 Any person or organisation has a right to be heard in regard to this proposal and the Council would encourage everyone with an interest to do so.
- 9.2 The Council would prefer that all parties intending to make a submission set those submissions out in writing and submit them to the District Secretary, Private Bag 50072, Queenstown, no later than 18 November 2016. The Council will then convene a hearing, which it intends to hold in December, at which any party who wishes to do so can present their submission in person. Written submissions can take any form (e.g. Email, letter) but we recommend your submission be made on a standard submission form available from Council.
- 9.3 Equal weight will be given to written and oral submissions. Submissions on matters outside the scope of the proposal cannot be considered by the Hearings Panel.
- 9.4 The Council will permit parties to make oral submissions (without prior written material) or to make a late submission, only where it considers that special circumstances apply.
- 9.5 Every submission made to the Council will be acknowledged in accordance with the Local Government Act, will be copied and made available to the public, and every submission will be heard in a meeting that is open to the public.
- 9.6 Section 82 of the Local Government Act sets out the obligations of the Council in regard to consultation and the Council will take all steps necessary to meet the spirit and intent of the law.