

# Queenstown Airport Corporation Ltd



# Statement of Intent 2017-2019

7 June 2016

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## Introduction

As a Council-Controlled Trading Organisation, Queenstown Airport Corporation (QAC) must 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

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 economic driver of the region's tourism industry and 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 local community and contributes significantly to the growth and prosperity of New Zealand's tourism sector.

Located 10 minutes from Queenstown, the airport services the region with daily domestic flights and regular direct 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.

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.

### About Queenstown Airport Corporation

Queenstown Airport Corporation (QAC) was incorporated in 1988 and is responsible for the management of Queenstown Airport. QAC strives 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.

The company, comprising approximately 35 staff, is owned:

- 75.01% by the Queenstown Lakes District Council (QLDC); and
- 24.99% by Auckland International Airport Limited (AIAL)

QAC is also engaged by QLDC to provide airport and property management for Wanaka Airport and operational support for the Glenorchy Aerodrome.

### Commercial value

As at 30 June 2015, QAC's land, land improvements and buildings were valued at \$182 million. QAC owns 137 ha of land on Frankton Flats comprising:

- 83ha incorporating the airfield, runways and aprons, rescue fire facilities and air traffic control tower
- 8ha of terminal, car parking, road network and commercial land leased to airport-related businesses
- 17ha of commercial land used by General Aviation
- 17ha of underdeveloped land recently rezoned for Plan Change 19 land to the north of the runway
- 12ha of underdeveloped rural and golf course lease.

QAC's estimated commercial value, as adopted in 2014 by its Board of Directors, was between \$177 million and \$206 million. This was in line with a PricewaterhouseCoopers high-level valuation in November 2013. The Board has adopted the same value for the current SOI and will commission a new valuation for next year.

### Regional economic driver

According to NZ Airports Association research (2013), the economic benefits associated with Queenstown Airport are almost \$275 million per year and will grow. The planned introduction of evening flights in winter 2016 will mark a step-change for the airport as a major local employment hub as it moves to a 'split-shift' operating model to cater for the extended operating window. This will create a number of new job opportunities, adding to the 350-strong team already working in and around Queenstown Airport.

## Situational overview

QAC's business success and growth is intrinsically linked to the fortunes of New Zealand's tourism and visitor industry. In turn, the industry depends on the airport to provide sustainable air connectivity and a world-class visitor experience to help it achieve its tourism industry goal of \$41 billion annual revenue by 2025.

Visitor growth and demand show no signs of slowing, driven by the attractiveness of New Zealand and our region as a destination, a multitude of new air services, relatively cheap fuel prices, and support from strong marketing campaigns.

To date, Queenstown Airport has responded to passenger growth and been largely successful in delivering infrastructure 'just in time' which has suited the airlines as key infrastructure funders. The airport and airlines have committed to further capacity expansion through evening flights and finding operational efficiencies through technology and process innovation.

We are working closely with aviation and tourism partners to identify future growth opportunities, particularly in off-peak months, and ensure airport infrastructure is developed to meet that demand.

Our long range forecasts predict that domestic passenger numbers will double and international passenger numbers will nearly triple by 2026 so we are mindful that there will be a need to manage this growth in line with community expectations.

The need for investment and development of local infrastructure and tourism facilities to keep pace with this anticipated growth and maintain a quality visitor experience is a particular challenge which we are committed to working with the community to resolve.

These challenges include pressure on the availability and affordability of visitor accommodation in peak periods, pressure and congestion on transport and roading networks, high demand on services, and a lack of affordable worker accommodation at a suitable standard, all of which are impacting on visitors and locals and may eventually cap visitor demand. Furthermore, efforts to progress future development opportunities, such as building a convention centre, appear to be in a holding pattern.

These infrastructure challenges are a key risk to our strategic objectives. In order to fulfil the growth and development potential of the airport, we need to develop mitigating strategies in a consultative and collaborative manner with the council, key stakeholders and the communities we serve so that there is a shared understanding, support and pride in the value we deliver.

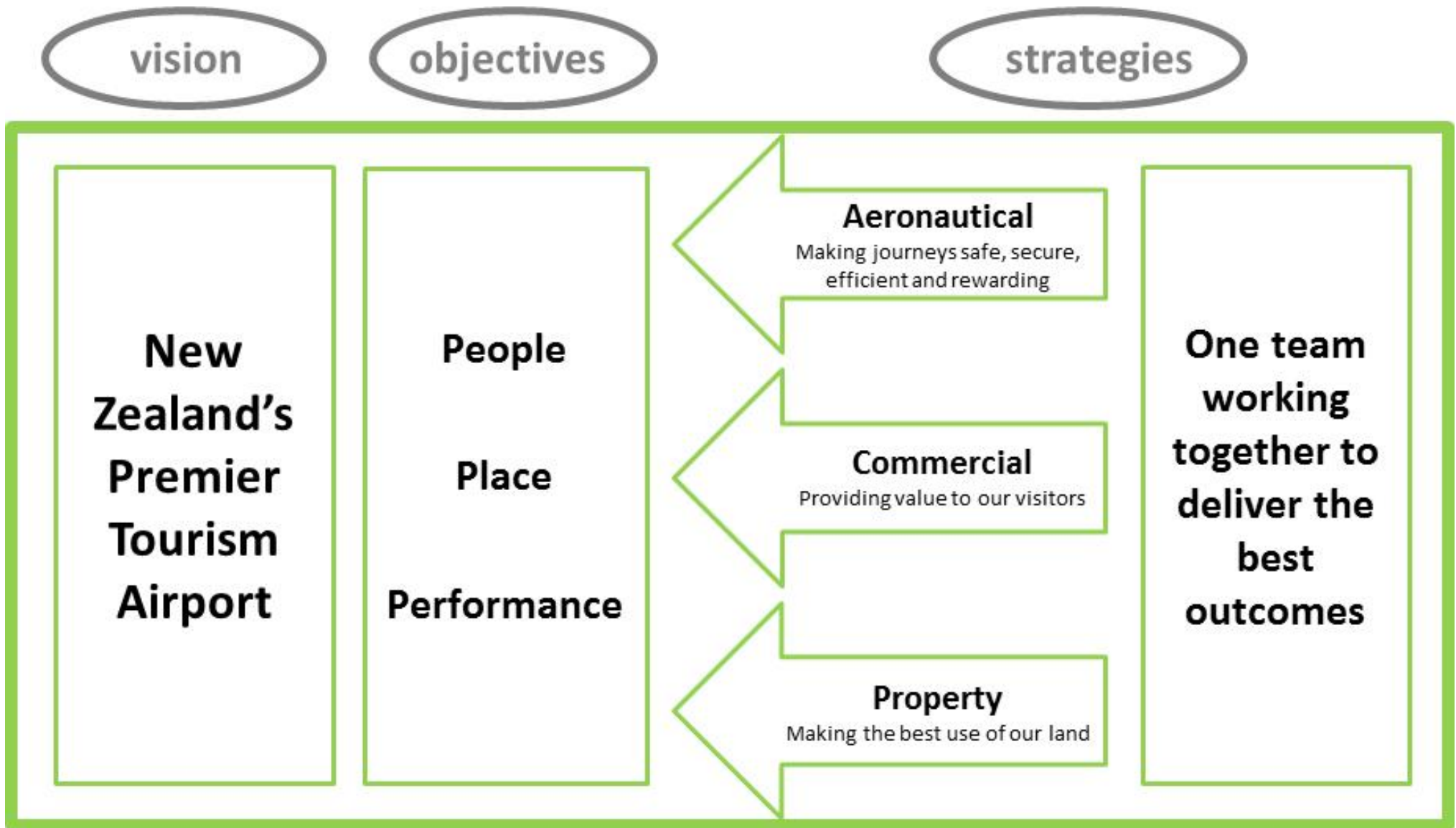
In particular, our new 30-year Master Plan will provide us with a roadmap to implement airport developments that continue to serve our local community and region and deliver a unique visitor experience, maximise asset values, generate sustainable growth in returns and value to our community and partners.

We are also assisting QLDC, in our capacity as contracted operational manager, with input into its Wanaka Airport governance review process.

## Key strategic projects

	FY2016	FY2017	FY2018	FY2019
<b>Evening flights</b>	Successful delivery of airport infrastructure, staff, communications.	Successful implementation in winter 2016.	Expand on winter evening flights (airlines, schedules).	Identify opportunities.
<b>Master plan</b>	Consultant procurement. Planning commences.	Draft plan. Stakeholder and public consultation.	Implementation.	Implementation.
<b>Aircraft noise mitigation</b>	Commencement of full noise mitigation packages for 13 homes in Inner Noise Sector.	Complete work in Inner Noise Sector. Commence Mid Noise Sector.	Continue works in annual or two-yearly tranches for next 20 years.	Continue works in annual or two-yearly tranches for next 20 years.
<b>Strategic land acquisition</b>	Develop aeronautical study to demonstrate operational effectiveness of taxiway on Lot 6 land.	Environment Court decision. Public Works Act (PWA) reinstated.	PWA decision.	TBC.

QAC strategic plan on a page



## Vision, objectives and strategies

### Vision

Our vision is to position ourselves as ***New Zealand's Premier Tourism Airport***, taking full advantage of the region's appeal as a leisure and visitor destination.

Our key point of difference is that we are a destination airport with a high potential for return visitation. Our '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.

Our vision will deliver ***sustainable growth for our region by connecting people***. This will be demonstrated in the way we work with the wider airport community and with the Queenstown District community. It cannot be achieved without this close co-operation.

### Objectives

The success of our vision will be measured through three sets of objectives - ***People, Place and Performance***, as seen through the perspectives of our four major stakeholder groups - ***Our Visitors, QAC, the Airport Community, and the Wider Community***.

#### New Zealand's Premier Tourism Airport Sustaining our region, connecting people

	People	Place	Performance
Visitor	Every visitor feels valued	Our visitors find the airport easy to navigate and feel relaxed, safe and secure	Positive visitor feedback across whole airport experience
QAC	One Airport team that feels valued and empowered to deliver an outstanding visitor experience.	A safe healthy, work environment that supports "one team".	Optimised return on assets with sustainable growth in dividends and shareholder value.
Airport	An airport-wide community that works together to ensure an outstanding visitor experience.	A well planned airport connecting all activities, creating a sense of place and providing a platform for our airport community to grow and prosper.	Safe & efficient operations and outstanding visitor experience. All airport partners meeting their objectives.
Community	A local community that is proud and supportive of its airport. We are an engaged and responsive member of the local community.	Connecting the world to our region whilst minimising the impact on our unique environment.	Sustainable regional growth.

### Strategies

We will deliver our vision and objectives through four strategies:

<b>AERONAUTICAL</b> <i>Making journeys safe, secure, efficient and rewarding for us all</i>	<b>COMMERCIAL</b> <i>Providing value to our visitors</i>	<b>PROPERTY</b> <i>Making best use of our land</i>	<b>ONE TEAM</b> <i>Working together to deliver the best outcomes</i>
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## AERONAUTICAL STRATEGY

*Making journeys safe, secure, efficient and rewarding for us all*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Work with our airline and airport partners to deliver passenger growth and share the rewards</b></p>	<ul style="list-style-type: none"> <li>Continue to work on initiatives with Auckland Airport and key Australian hub airports to encourage airlines to fly direct to Queenstown and to grow sustainable air connectivity with a focus on expanding existing links and capitalising on new opportunities.</li> <li>To further understand how visitors connect with Queenstown, we will commission a study to assist with 30-year demand forecasting and our route development strategy. This will be embedded into the Master Plan process to determine terminal spatial requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Growth in passengers across shoulder months</li> <li>Airline route planning study completed</li> </ul>	<ul style="list-style-type: none"> <li>June 2017</li> <li>July 2016</li> </ul>
<p><b>Deliver affordable, timely infrastructure for the safe, secure and efficient movement of people</b></p>	<ul style="list-style-type: none"> <li>Maximise existing airport terminal capacity through the introduction of evening (after-dark) flights in winter 2016. Evening flights will allow the airport to take advantage of its full consented operational hours between 06:00 and 22:00, moving from an approximate 8-hour operating window during the winter peak to a 16-hour operating window.</li> <li>Address resourcing within QAC's Operations team to manage the expanded hours of operation. A recent restructure has seen staffing increase in some areas, particularly Rescue Fire, and more focus placed on collaborative operations, continuous improvement and facilities management.</li> <li>The compulsory acquisition of Lot 6 will be paramount to optimising airfield operations, allowing the optimum positioning of a parallel taxiway and relocating the General Aviation precinct away from scheduled operations.</li> </ul>	<ul style="list-style-type: none"> <li>Phase 4 - airfield upgrade project</li> <li>QAC Operations team restructured but ongoing review of resources following evening flights</li> <li>Roll out communications for phase 4 of airfield upgrade project</li> <li>Proposed step-change Winter Operations Plan agreed by Airlines and board</li> <li>Aeronautical Study developed, consulted on with airport users, endorsed by CAA and successfully satisfies Environment Court requirements</li> </ul>	<ul style="list-style-type: none"> <li>February 2017</li> <li>December 2016</li> <li>September 2016 - February 2017</li> <li>April 17</li> <li>August 2016</li> </ul>

## AERONAUTICAL STRATEGY

*Making journeys safe, secure, efficient and rewarding for us all*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Deliver New Zealand’s most safe, secure and efficient passenger experience through engaging with the airport community in collaborative operations</b></p>	<ul style="list-style-type: none"> <li>• Airport operations team will be responsible for the promotion, scope and delivery of improvements to passenger facilitation and operational processes and systems</li> <li>• Establish baseline passenger processing time in arrivals and departure processing halls and set processing performance targets with Border Agencies</li> <li>• Continue to work with Customs to accelerate the deployment of E-Gates</li> <li>• IATA service level C maintained for all but peak days</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a Queenstown Airport Collaborative Operations Group to focus on end-to-end process improvement of passenger facilitation and operational efficiencies</li> <li>• Seasonal-based passenger processing targets are agreed by Border agencies, reviewed weekly and reported</li> <li>• Biometric automated passenger processing implemented</li> <li>• Top 5 and bottom 5 quarterly targets shared with collaborative operations team and improvement targets set</li> </ul>	<ul style="list-style-type: none"> <li>• December 2016</li> <li>• November 2016 and March</li> <li>• August 2016</li> <li>• March 2016, ongoing</li> </ul>
<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>• Engage the wider airport community in a collaborative approach to continuous improvement in site health and safety</li> <li>• Continue to develop the organisation’s risk management framework</li> <li>• Through focused leadership, continue to develop a strong Health and Safety culture within QAC</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>• Update our Business Continuity Management (BCM) to reflect size and response scale of operation.</li> <li>• Practise and stress-test our emergency preparedness – Airport emergency plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Target = achieve zero harm to people and environment.</li> <li>• Target = Zero Harm injuries to the airport community or passengers while within the airport precinct.</li> <li>• A comprehensive safety leadership engagement programme for the Senior Leadership team in place.</li> <li>• Just culture procedures imbedded in business as usual operations.</li> <li>• QAC health and safety systems audited against AS/NZS 14001, AS/NZA 4801 and AC90.</li> <li>• Robust BCM plan and contingency procedures in place and stress-tested.</li> <li>• Full-scale emergency exercise planned and delivered to stress-test our emergency preparedness.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Ongoing</li> <li>• November 2016</li> <li>• June 2017</li> <li>• September 2016</li> <li>• June 2017</li> <li>• July 2016</li> </ul>



## AERONAUTICAL STRATEGY

*Making journeys safe, secure, efficient and rewarding for us all*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Deliver reliable facilities and infrastructure through asset lifecycle management, effective maintenance and contingency planning</b></p>	<ul style="list-style-type: none"> <li>• Build a comprehensive inventory of assets, understand their current performance and condition in order to develop a Asset Management Plan</li> <li>• Implement a Project Management system to manage the delivery of capital projects</li> <li>• Implement Maintenance Management System</li> <li>• Contingency plans and or infrastructure in place for all key airport utility services and aeronautical systems, i.e. power, water, waste water, runway lighting, CCTV, Access control, FIDs, Air Traffic Control</li> <li>• Develop an energy conservation programme for Airport Terminal infrastructure</li> <li>• Waste minimisation programmes developed</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive facilities maintenance and lifecycle replacement programme scoped</li> <li>• Projects can be easily and effectively managed through their entire life cycle</li> <li>• Maintenance faults and defects can be identified and managed through to resolution</li> <li>• Airport utility and systems contingency risks identified, documented and an implementation plan in place</li> <li>• Set energy conservation targets</li> <li>• Set waste minimisation targets</li> </ul>	<ul style="list-style-type: none"> <li>• August 2017</li> <li>• December 2016</li> <li>• November 2016 June 2017</li> <li>• January 2017 onwards</li> <li>• July 2016 onwards</li> </ul>

## COMMERCIAL STRATEGY

*Providing value to our visitors*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Develop a boutique terminal retail mix that reflects the uniqueness and quality of the Queenstown experience and optimises returns and visitor experience</b></p>	<ul style="list-style-type: none"> <li>Continue to develop terminal retail to provide a boutique shopping environment for consumers, with a mix of local owner-operators and larger corporate-owned stores</li> <li>Continue to optimise and expand the terminal for passenger flow, processing areas and retail mix through the master planning process</li> </ul>	<ul style="list-style-type: none"> <li>Commercial revenue growth – as per budget</li> <li>Commercial revenue as percentage of QAC revenue – targets as per year 3 of the 10 year plan</li> </ul>	<ul style="list-style-type: none"> <li>June 2017</li> <li>June 2019</li> </ul>
<p><b>Optimise returns from transport networking activity by optimising products, price and partnerships</b></p>	<ul style="list-style-type: none"> <li>Changes to the terminal road network and carparks will be made in 2016/17 to improve flow and reduce congestion. This will in turn provide us with opportunities to review and diversify products and the pricing structure for the commercial and public car parks</li> <li>Our new vehicle strategy will assist us in delivering increased car parking, transport capacity and products</li> </ul>	<ul style="list-style-type: none"> <li>Improvements to road layout and flow completed</li> <li>New commercial vehicle layout and licence structure introduced</li> <li>Public car park pricing reviewed and new products and sales channels added</li> </ul>	<ul style="list-style-type: none"> <li>March 2017</li> <li>June 2017</li> <li>June 2018</li> </ul>
<p><b>Introduce innovative new revenue opportunities, particularly through the use of digital media and technology</b></p>	<ul style="list-style-type: none"> <li>Monitor new technologies and trends and form strategic partnerships to provide new revenue opportunities, customer enhancements or airport efficiencies</li> <li>Use WiFi heatmapping technology to monitor dwell times and utilise the information to develop most valuable terminal spaces</li> <li>Work collaboratively with advertising agencies and potential advertisers to create new and different ways to connect with customers. Focus on experiential advertising to help create a sense of place and ambience in the terminal</li> <li>Input into master plan to ensure there are optimal spaces for advertising with a focus on more flexibility to introduce/update digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Monitor customer experience via quarterly Airport Experience Survey results</li> <li>Complete a phased plan of digital media and technology improvements</li> <li>Monitor customer experience via quarterly Airport Experience Survey results</li> <li>Develop at least two new advertising partnerships</li> <li>Review advertising assets, contracts and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>December 2016</li> <li>Ongoing</li> <li>December 2016</li> <li>February 2017</li> </ul>

## PROPERTY STRATEGY

### *Making best use of our land*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Develop a master plan that will inform internal planning, facilitate external community leadership objectives and provide a spatial framework for our future</b></p>	<ul style="list-style-type: none"> <li>The 30-Year Master Planning process will provide guidance on the land needed for future aeronautical operations and opportunities for commercial development leading to a greater return on land holdings</li> <li>Explore the opportunity to extract value from the growth in Frankton Flats by integrating the airport into the surrounding area to support another economic area for the district</li> </ul>	<ul style="list-style-type: none"> <li>Procurement process complete</li> <li>Draft Master Plan completed</li> <li>Public consultation on Draft Master Plan</li> </ul>	<ul style="list-style-type: none"> <li>April 2016</li> <li>December 2016</li> <li>By June 2017</li> </ul>
<p><b>Protect the airport'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></p>	<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>Actively 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</li> <li>Wanaka specific rules confirmed within the Rural Zone</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>June 2017 (subject to PDP time frame)</li> </ul>
<p><b>Develop land holdings to maximise return on investment while complementing long term aviation growth</b></p>	<ul style="list-style-type: none"> <li>Assess development opportunities for their long term sustainable value to the 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 land uses determined in Master Plan process</li> </ul>	<ul style="list-style-type: none"> <li>December 2016</li> </ul>

## PROPERTY STRATEGY

### *Making best use of our land*

Objectives	Key initiatives	Performance targets	Timing
<b>Acquire or rationalise land holdings to support our strategies</b>	<ul style="list-style-type: none"> <li>Secure and develop Lot 6 to accommodate a 168m separated heavy taxiway and a General Aviation precinct.</li> </ul>	<ul style="list-style-type: none"> <li>Secure the acquisition of 'Lot 6'</li> </ul>	<ul style="list-style-type: none"> <li>FY18</li> </ul>
<b>Optimise returns on all property, leases, licences and commercial property held within QAC's portfolio</b>	<ul style="list-style-type: none"> <li>Ensure adequate resourcing is in place to deliver an effective and efficient property management function. In the short-term our opportunities to grow commercial property portfolio revenues are limited to re-negotiating rents during reviews and when establishing new leases in existing areas. A step-change can occur in the medium term, and following completion of the master plan, as our land holdings are developed and land use planning is optimised across aeronautical and property activities.</li> </ul>	<ul style="list-style-type: none"> <li>Leases and licences optimised</li> <li>Revenue targets TBA</li> </ul>	<ul style="list-style-type: none"> <li>FY17</li> </ul>
<b>Design &amp; deliver affordable, timely transport infrastructure for the safe and efficient movement of people and supporting an outstanding visitor experience</b>	<ul style="list-style-type: none"> <li>Implement improvements to the vehicle transport and roading networks within QACs landholdings</li> <li>Integrate with and support the economic development of Queenstown and the surrounding region including a transport hub which would support local and visitor traffic, linking private vehicles, commercial tourism transport, public buses and possibly ferries.</li> </ul>	<ul style="list-style-type: none"> <li>Airport carpark and roading network improvements</li> <li>Draft transport strategy and plan (developed through Master Planning process)</li> </ul>	<ul style="list-style-type: none"> <li>March 2017</li> <li>December 2016</li> </ul>
<b>Provide for region-wide aviation growth and capacity by working with QLDC to develop a long term strategy for Wanaka Airport</b>	<ul style="list-style-type: none"> <li>Agree an appropriate management agreement with QLDC for the management of Wanaka Airport</li> <li>Support QLDC in evaluating governance options for Wanaka</li> </ul>	<ul style="list-style-type: none"> <li>A Management Agreement (including agreement on compensation arrangements) is in place and agreed by both QAC and QLDC</li> <li>Input as required into QLDC's governance review process</li> <li>Complete QAC's due diligence into the governance options identified</li> </ul>	<ul style="list-style-type: none"> <li>July 2016</li> <li>Dec 2016 (TBC)</li> <li>Dec 2017 (TBC)</li> </ul>

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes*

Objectives	Key initiatives	Performance targets	Timing
<p><b>Invest in our people's development and wellbeing and build an empowered one team culture</b></p>	<ul style="list-style-type: none"> <li>• Roll out and incorporate QAC's Team Values programme throughout the company</li> <li>• Roll out the new Wellness Programme</li> <li>• Develop a Training and Development Framework – FY2017</li> <li>• Implement new Performance Management processes – June 2016</li> <li>• Establish dedicated operations Emergency Operations Centre &amp; shared staff facilities (kitchen, shower etc) – FY2017</li> <li>• Investigate efficient use of desk space and layout of corporate office</li> <li>• Leadership development programme – FY2018</li> </ul>	<ul style="list-style-type: none"> <li>• Employee survey engagement matrix analysis</li> <li>• Staff feel valued and are recognised for a job well done</li> <li>• High level of engaged and motivated staff</li> <li>• Physical environment is conducive to enjoyment of work</li> </ul>	<ul style="list-style-type: none"> <li>• September 2016-17</li> </ul>
<p><b>Create a deep understanding of our customers, their needs and desires - and how they'll change - to provide a great airport experience and effective value propositions</b></p>	<ul style="list-style-type: none"> <li>• Review and enhance current customer data sets to build more comprehensive demographic information and passenger segmentation</li> <li>• Collaborate with partners on a joint data report which profiles visitor flows around the region</li> </ul>	<ul style="list-style-type: none"> <li>• Implement new quarterly Airport Experience Survey</li> <li>• Implement visitor flow report</li> <li>• Visitor experience metrics</li> </ul>	<ul style="list-style-type: none"> <li>• March 2016</li> <li>• July 2016</li> <li>• From March 2016</li> </ul>
<p><b>Work with our airline &amp; airport partners to optimise operational efficiency and visitor experience through technology and innovation</b></p>	<ul style="list-style-type: none"> <li>• New position created in the QAC Operations team – Manager Operational Planning and Process Improvement – responsible for promotion, scope and delivery of process improvement, with a particular focus on improving passenger facilitation and the optimisation of airport supporting systems and process</li> <li>• Refer to initiatives in Aeronautical and Commercial strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Refer to targets in Aeronautical and Commercial strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Refer to timing in Aeronautical and Commercial strategies</li> </ul>

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes*

Objectives	Key initiatives	Performance targets	Timing
<b>Build engagement with the whole airport and wider region to connect more deeply with our community</b>	<ul style="list-style-type: none"> <li>• Refresh stakeholder engagement plan</li> <li>• Proactive and regular communication to stakeholders</li> <li>• Develop and roll out project-specific communications</li> <li>• Use our company values to identify/refine community engagement opportunities</li> <li>• Actively 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>• 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>Be a leader, working collaboratively at a local and national level to find solutions to the region's destination management issues</b>	<ul style="list-style-type: none"> <li>• Work with QLDC and the business community on discussing solutions to destination management issues</li> </ul>	<ul style="list-style-type: none"> <li>• Regular report to the Board</li> <li>• Be an integral member and respected voice within the wider business community on key issues</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> </ul>
<b>Execute the Noise Management Plan to mitigate noise impacts and address neighbour concerns</b>	<ul style="list-style-type: none"> <li>• Mitigation work will continue rolling out for homes in the Inner Noise Sector</li> <li>• Start work on homes in the Mid Noise Sector in 2017 - this phase involves some 123 homes.</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 commenced on first round of homes</li> <li>• Communications are regular, accurate and relevant e.g. passenger stats, website content, ZQN Newsletter, and media releases</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• June 2017</li> </ul>

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes*

Objectives	Key initiatives	Performance targets	Timing
<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 (m3), annual total potable water savings (m3) and uptake water efficient technologies and opportunities, e.g. bore water, grey water, rain capture etc.</li> <li>Set targets for annual waste production (tonnes), annual waste recycled (tonnes), and annual waste minimised (tonnes)</li> <li>Build targeted supply chain partnerships to enhance Queenstown Airport's sustainability performance</li> <li>Set annual environmental performance targets, (including aircraft noise), identify opportunities and implement projects to enhance New Zealand's biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Refer Aeronautical Strategy targets</li> <li>Quarterly report to the Board</li> </ul>	<ul style="list-style-type: none"> <li>Refer Aeronautical Strategy timing</li> <li>March 2017</li> </ul>
<b>Fund airport strategies cost-effectively through banking and other partnerships</b>	<ul style="list-style-type: none"> <li>Review existing banking relationships and debt provider, to prepare the business for future capital project requirements including funding of airfield and terminal upgrades and property acquisition and development</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of banking relationships across two or more top tier banks for the provision of transactional services and debt facilities</li> </ul>	<ul style="list-style-type: none"> <li>By FY17</li> </ul>
<b>Technology enhancements to assist lean culture and operating environment</b>	<ul style="list-style-type: none"> <li>Using lean methodologies, work with airline and agency partners to identify and implement initiatives to improve operational efficiency and provide an outstanding visitor experience using technology</li> </ul>	<ul style="list-style-type: none"> <li>Implement one initiative each year that delivers pre-agreed operational/visitor experience targets</li> </ul>	<ul style="list-style-type: none"> <li>FY17</li> <li>FY18</li> <li>FY19</li> </ul>

# Financial Forecast 2017-19

## FINANCIAL FORECAST 2017-19

For the Financial Years Ending 30th June

Year Ending 30 June	Forecast	Forecast	Forecast
	FY17	FY18	FY19
	\$'000	\$'000	\$'001
<b>Revenue</b>	<b>38,322</b>	<b>41,673</b>	<b>48,164</b>
Operating Expenditure	12,450	11,858	12,236
EBITDA	25,872	29,815	35,927
Interest Expense	2,572	3,257	4,236
Depreciation & Amortisation	6,531	7,526	8,323
Profit Before Tax	16,769	20,118	25,544
<b>Net Profit After Tax</b>	<b>11,646</b>	<b>14,191</b>	<b>18,271</b>
Dividends Paid <sup>1</sup>	6,342	6,823	8,095
Total Assets	284,852	326,470	375,101
Shareholders Funds	225,986	239,377	256,426
Operating Cash Flow	19,945	22,257	26,581
Capital Expenditure	18,424	41,634	47,282
Closing Debt	44,579	71,580	103,059
Net Drawdown/(Repayment of) Debt	4,966	27,001	31,480

Financial Ratios	Forecast	Forecast	Forecast
	FY17	FY18	FY19
<b>Total Pax (000)</b>	<b>1,884</b>	<b>1,999</b>	<b>2,127</b>
Percentage International Pax	30%	32%	33%
Revenue per Pax	\$ 20.35	\$ 20.85	\$ 22.64
NPAT per Pax	\$ 6.18	\$ 7.10	\$ 8.59
Return on Equity (NPAT to Avg SH Funds <sup>2</sup> )	5.5%	6.1%	7.4%
Return on Assets (NPAT to Avg Total Assets <sup>3</sup> )	4.4%	4.6%	5.2%
Gearing: Debt : EBITDA	1.7	2.4	2.9
EBITDA > 2 times funding expense	10.1	9.2	8.5
Shareholders Funds to Total Tangible Assets > 50%	80%	74%	69%

*Notes*

1. Dividends calculated on a paid basis rather than earned.
2. Average Shareholders' funds based on opening and closing balances.
3. Average Total Assets based on opening and closing balances.



## Shareholder Interaction and Corporate Governance

### The Regulatory Framework Governing QAC

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.

### The 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 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 works collaboratively with its Shareholders to ensure a “no surprises” relationship. As part of that relationship, Shareholder representatives are invited to attend board meetings as observers.

The Board has established an Audit and Risk Committee to overview the Company's financial reporting processes, system of internal control, and the external audit process, and its processes for identifying and managing risk, and for monitoring compliance with applicable law and its own policies.

## Role of the Board

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

- Approving strategic plans, budgets and the SOI
- Corporate policies, including financial and dividend policies, and delegated authorities
- Monitoring financial performance and achievement of the strategic initiatives and SOI objectives
- Appointment and monitoring of the performance and remuneration of the Chief Executive Officer (CEO)
- Integrity of management information systems
- Assessment of business opportunities and business risks
- Internal control and assurance systems
- Compliance with relevant law
- Reporting to Shareholders

## Code of Conduct

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

- The role and fundamental obligations of the Board
- Independence and conflict of interest, including conflict with management
- Board procedures, including the role of the Chairman and interaction with the CEO
- Reliance on information and independent advice
- Confidentiality of company information
- Board and Director performance review and development

## 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 an interim report to Shareholders consisting of:

- Un-audited half-yearly financial statements
- Half-year report

Within three months of the end of each financial year, Directors will deliver to Shareholders an Annual Report which will consist of:

- Chairman's and CEO'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

QAC's Board operates on a basis of 'no surprises' with its shareholders on strategic issues and major developments. Both shareholders receive monthly management reports and Board reports. Representatives from the shareholders attend Board meetings as observers.

Quarterly meetings are held between QAC's Chairman and CEO and QLDC's Mayor and CEO. These meetings are an opportunity to provide greater background on the performance of the business and on issues of importance.

## **Dividend Policy**

The Board will declare dividends according to the following policy:

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

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

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

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

A review of the Dividend Policy will be completed to ensure QAC's policy is consistent with industry best practice.

## **Capital Subscription**

No new shares in the company will be issued without the consent of Shareholders.

The company is confident it can fund its capital growth plans from internal sources (cash flow and/or debt) during the forecast period 2017-2019. The Board will assess this position annually as part of the SOI process.

## **Investment in Other Entities**

The Company must consult with the Shareholders prior to any investment being made in another entity.

## **Non-commercial services with QLDC**

QAC receives a fee from QLDC for the management of Wanaka Airport calculated on a cost recovery basis only. This includes the cost of an onsite airport manager and administrator, providing property management, accounting and administration services, management input to the airport's development, strategic direction, and regulatory planning framework, and compliance obligations to CAA and Airways.

QAC also manages the Glenorchy Aerodrome on behalf of QLDC, including ground maintenance.

QAC leases land to QLDC which forms part of the Frankton Golf Course for \$25,000 p.a.

## **Strategic alliance with AIAL - leveraging value**

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 financial and passenger growth targets that were initially set have been exceeded and the strategic alliance continues to deliver long term value for QAC. AIAL's sharing of intellectual property and airport expertise, particularly in route development, operational systems and processes, and commercial expertise has been of significant benefit and this has been reflected in passenger growth and improved operational and cost efficiencies within QAC.

The focus of the Strategic Alliance for the next five years will be for the two airports to leverage the scale and connectivity of a multi-airport relationship to grow visitor activity and deliver superior earnings growth to both airports 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:

- Assistance with Master Planning process
- Collaboration to further develop air services between the 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 and South East Asia 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 has appointed Deloitte to undertake the Audit of QAC for the three years ended: 30 June 2014, 2015 and 2016.

## 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 1993; the Companies Act 1993, the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, which includes 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>DDI:</b>	+64 3 450 9031	
<b>Fax:</b>	+64 3 442 3515	
<b>Email:</b>	<a href="mailto:admin@queenstownairport.co.nz">admin@queenstownairport.co.nz</a>	
<b>Website:</b>	<a href="http://www.queenstownairport.co.nz">www.queenstownairport.co.nz</a>	
<b>Shareholders</b>	Queenstown Lakes District Council (75.01%) Auckland Airport Holdings (No2) Limited (24.99%)	
<b>Directors</b>	John Gilks (Chairman) James Hadley Grant Lilly Michael Stiasny Norman Thompson	
<b>Senior Management</b>	Chief Executive Officer	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	Mike Clay <a href="mailto:mikec@queenstownairport.co.nz">mikec@queenstownairport.co.nz</a>
	GM Property	Rachel Tregidga <a href="mailto:rachelt@queenstownairport.co.nz">rachelt@queenstownairport.co.nz</a>
	Communications Manager	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 Financial Officer	Mark Edghill
	General Manager Operations	Mike Clay
	Manager Airfield and Compliance	Chris Johnson

## Abbreviations

AIAL	Auckland International Airport Limited
CAA	Civil Aviation Authority of New Zealand
CEO	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
IATA	International Air Transport Association
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
QLDC	Queenstown Lakes District Council
RMA	Resource Management Act
RPL	Remarkables Park Limited
SOI	Statement of Intent
ZQN	Queenstown Aerodrome including airfield and terminal