

11 April 2019

The Chair and Chief Executive
Queenstown Airport Corporation

Dear Prue and Colin

QAC PROPOSED 2019 STATEMENT OF INTENT

Thank you to you and the team (including board member Grant Lilly) for attending and contributing positively to Tuesday's workshop with Council on the Proposed 2019 Statement of Intent (SOI).

This workshop, which enables Council to provide feedback to QAC on its proposed draft is a key part of the SOI process. As a number of Councillors noted, the discussion over two hours, was positive, two way, and fruitful, and Council looks forward to receiving the final proposed SOI in May for its consideration.

The following points highlight the key issues raised by Council at the meeting for your consideration. These should also be read in context with the direct feedback, and summary points made to you by QLDC in a letter dated 5 April 2019. Together they provide the direction and feedback from Council to the proposed draft.

Strategic Direction with particular reference to Wanaka Airport:

Considerable discussion was had regarding the dual airport model adopted by Council and QAC, and the benefits of providing a single integrated set of air services across two campuses to support the district and the wider South region. Council considers that this vision and strategic direction needs to be more explicitly reflected in the SOI. In particular, reference was made to the future role of Wanaka as outlined in the 2017 SOP relating to the leasing of Wanaka Airport to QAC, and to the Shaping our Future process which highlighted the long term direction for transport services in the Upper Clutha.

Council considers that articulating the intended operating vision in the SOI is an important scene setter for the more detailed Masterplanning QAC was committed to completing over the next two years.

Strategic Direction:

It was acknowledged that the SOI references the proposed Masterplans, and that these were an essential focus of QAC to test the development options for both Wanaka and Queenstown. Council accepted that it was difficult for QAC to state its directions for both airports, while in the SOI also remaining clear that the Masterplans were a process, whose outcomes are not predetermined.

Council is keen to ensure the SOI reflects the different maturity of the two Masterplanning processes, and in particular that the Wanaka process is not as advanced as the Queenstown process. The Council is looking for more explicit comment regarding the scope, data gathering, and engagement required for the Masterplan work, in order to validate the high level vision.

Role of the Board:

Some discussion was had by Council concerning the relative role between the owners as decision makers on key decisions, vs that of the Board. The consensus of Council was that the board was skilled and capable to make decisions under the guidance of the SOI, and Council was committed to enabling the board to function effectively. The only key area where Council as principal owner would expect to be directly involved was where the board sought to expand its offering beyond aeronautical and airport services, and or where it seeks to act beyond the boundaries of the Southern region. No such actions are contemplated by the board in this SOI.

Community Aspirations, and Clear Statement of Direction:

This topic was very focussed on the work QAC has underway for Queenstown Airport. Much of this is commercially sensitive, and not relevant to the SOI. However Council wanted the airport to be clearer regarding its current direction on noise boundaries, terminal redevelopment, climate change, and the risks of over tourism. While all of these are wholly or directly the Airports responsibility, Council considered that without foreclosing on future dialogue, the Company should give it a clear picture of its “direction of travel” for the airport and its surrounding communities. The question of noise boundaries was discussed with you at length and the board has made it clear that commercially some ongoing adjustment is required to meet ongoing changes in demand. Council was consistently of the view that being more transparent in the SOI about those key issues was important, along with the commitment to strong community engagement through the relevant processes.

Transport:

The impact of the airport on local traffic conditions in Queenstown has been a regular topic. The airport, working with QLDC, NZTA and ORC have been party to some significant interventions, notably the jointly funded Park n Ride, and the \$2 bus. The Wakatipu Way 2 Go programme provides a further opportunity for the QAC to partner with Council and others on innovative transport solutions that involve the airport campus, and Council is keen to see this reflected in the SOI in a more explicit fashion including a commitment to work towards innovative transit solutions between the airport and central Queenstown.

Changing Use Dynamics:

There has been considerable discussion about the connection between the role of the airport as a significant visitor entry point, and the impact high levels of visitor growth has had on community infrastructure. While external visitors make up the bulk of traffic through the airport, you identified a strongly growing quantum of local commuters using the airport on a regular basis. This service is quite different to the tourism service and a theme that the SOI should reflect as part of focussing its services in supporting local air service needs, as well as that of inbound and outbound visitors.

Financial Impact of Growth:

A key point in Councils decision to grant a long term lease to QAC for Wanaka, was that this was required to enable the right level of commercial investment to be made. The Council supports such a programme, and the dividend policy was amended in 2018 to provide greater flexibility. The Council reaffirmed its expectation that while it expected the company to act in a competent commercial and profitable manner, it did not expect the company to pursue profit at all cost. This was acknowledged by Mr Lilly on behalf of the company. The company also confirmed the cost challenges of both current operations in Queenstown, and the various

investment needed to retain the commercial capacity of the company, and meet the shareholders dividend expectations.

Sustainability:

The Council is supportive of the company's commitment to sustainability. The Council is keen to ensure that the differentiation between sustainability in a corporate and operating sense is clearly distinguished from concepts of sustainability in terms of local management initiatives. The Council endorses both, and is supportive of the company being a good corporate and global citizen. The Council would like to see greater clarity around what the company intentions are in this space, and how it distinguishes the two.

Summary:

In addition to the comments outlined above, we are aware that Naomi also took considerable notes, and that you may also seek to make changes based on any matters you noted, but are not raised here. The Council looks forward to receiving the final SOI for consideration by Council at its May 2019 meeting.

Once again thank you for the constructive dialogue and the companies' willingness to listen to and consider the direction of its key shareholder.

Yours sincerely



Mike Theelen
Chief Executive



Jim Boulton ONZM
Mayor

C.C All Councillors
Adrian Littlewood AIAL
Stewart Burns
Naell Crosby-Roe