

# Queenstown Airport Corporation Ltd

# Statement of Intent

## 2018-2020

9 June 2017



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# Introduction

As a Council-Controlled Trading Organisation, Queenstown Airport Corporation (QAC) is required to 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

### 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 49 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 general airport and property management for Wanaka Airport and property maintenance for the Glenorchy Aerodrome.

### Queenstown Airport

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 driver of the region's tourism industry and broader 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 communities across the region and contributes significantly to the growth and prosperity of New Zealand's tourism sector.

Queenstown Airport services the region with frequent domestic and 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 to the region.

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.

### Wanaka Airport

Internationally renowned for the bi-annual Warbirds over Wanaka air show, and awarded New Zealand Regional Airport of the Year in 2015, Wanaka Airport serves a broad range of visitors to the region and holds considerable potential for growth. Nearly 300 people work in and around the airport on day-to-day operations, including flightseeing to Milford and Mount Cook and surrounding areas, helicopter training and chartering, private recreational aviation, and charter operations. In 2015, Wanaka Airport formed a partnership with NASA to become the site of New Zealand's first scientific space balloon launch.

### Commercial Value

As at 30 June 2016, QAC's land, land improvements and buildings were valued at \$231 million and included 137.3 ha on Frankton Flats. This comprised:

- 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.
- 0.3 ha of residential land

QAC's estimated commercial value, as adopted by its Board of Directors in 2014, was between \$177 million and \$206 million. This was in line with a PwC valuation in November 2013. The Board will commission a new valuation as at 30 June 2017.

## Situational Overview

QAC's business success and growth is intrinsically linked to the health of New Zealand's tourism and visitor industry. In turn, the industry depends on Queenstown and Wanaka airports 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 has been strong, 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.

Queenstown Airport has responded to this sustained passenger growth by delivering infrastructure 'just in time' which has suited those stakeholders who provide funding for such improvements. We continue to work closely with aviation and tourism partners to identify future growth opportunities, particularly building evening flight capacity and maintaining a consistent daily and seasonal schedule. We are committed to ensuring airport infrastructure is developed to meet that demand and pursuing operational efficiencies through technology and process innovation.

Our demand forecasts predict that annual passenger numbers have the potential to increase from 1.8 million in 2017 to 3.2 million by 2025, subject to infrastructure constraints, so we are mindful that there is a need to sustainably manage future growth in line with stakeholder and community expectations.

Appropriately targeted investment in regional infrastructure and tourism facilities continues to be a critical factor in keeping pace with anticipated growth and retaining a quality visitor experience. Both from an airport perspective and as a proud community member, we are committed to working with communities and stakeholders to address these issues and maintain a healthy balance.

Continued pressure on the availability and affordability of visitor accommodation in peak periods, congestion on transport and road networks, high demand on services and a lack of affordable worker accommodation at a suitable standard are impacting visitors and locals and may eventually impact visitor demand.

Until these infrastructure challenges are resolved, they pose a risk to achieving our strategic objectives. In order to fulfil the growth and development potential of the airport, we are developing mitigating strategies in a collaborative manner with key stakeholders and local communities to build a shared understanding, support and pride in the value we deliver. There is a need for a shift towards more sustainable transport modes and a lower reliance on motor vehicles. As a member of the Queenstown Governance group we are collectively developing a Queenstown Integrated Transport Strategy addressing infrastructure, public transport, and demand management to deliver this mode shift and improve transport choices.

Our 30-year master plan for Queenstown Airport will be released later this year for discussion and will provide a roadmap for future developments to deliver a memorable visitor experience and generate sustainable growth and value to our communities and stakeholders alike.

Following a review of the governance of Wanaka Airport, QLDC recently decided to grant QAC a long term lease. We look forward to working with QLDC on the lease terms and engaging with the community to develop an airport at Wanaka that we can all be proud of well into the future.

## Key Strategic Projects

|                                   | FY2016 - completed  | FY2017  | FY2018  | FY2019  | FY2020   |
|-----------------------------------|---|---|---|---|--|
| <b>Evening flights</b>            | Successful delivery of airport infrastructure, staff, communications.           | Successful rollout. Expand on winter evening flights - airlines, schedules.   | Expand on winter evening flights - airlines, schedules.   | Identify further opportunities.                                       | Identify further opportunities.                                  |
| <b>Master plan</b>                | Consultant procurement. Planning commences.                                     | Development of plan. Stakeholder engagement.  | Stakeholder and community engagement.   | Implementation.   | Implementation.  |
| <b>Noise planning</b>             | Submissions on PDP to ensure provisions for PC35 are adequately incorporated.   | Hearings progressed in PDP process to ensure PC35 provisions are incorporated. Review current noise boundaries in relation to demand forecasts. | Continuation of PDP hearings incorporating PC35 provisions. Progress changes to noise planning framework if required. | Continue to progress changes to noise planning framework if required. | Finalise any changes to noise planning framework.                |
| <b>Aircraft noise mitigation</b>  | Commence 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 2-yearly tranches for next 20 years.      | Continue works in annual or 2-yearly tranches for next 20 years. |
| <b>Strategic land acquisition</b> | Aeronautical study demonstrating operational effectiveness of taxiway on Lot 6. | Environment Court decision. Public Works Act (PWA) proceedings reinstated.  |   | PWA decision.   | Continue to assess opportunities as they arise.                  |

# Vision and Objectives for Queenstown Airport

## Vision

Our vision is to position ourselves as **a World Leading 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 in 3 areas - **People, Place and Performance**, each with objectives related to our four major stakeholder groups - **Our Visitors, QAC Team, Airport Community and Local Community**.



### World Leading Tourism Airport Sustaining our region, connecting people

|           | People   | Place  | Performance   |
|-----------|--|--|---|
| Visitor   | Every visitor feels cared for and valued   | Visitors find the airport to be a safe, relaxed and innovative environment that anticipates their needs and represents the best of the region      | Exceptional visitor feedback across the end-to-end airport experience   |
| QAC       | A team that feels respected and empowered to deliver an outstanding visitor experience | A safe, healthy and friendly work environment that supports “one team”   | Optimised return on assets with sustainable growth in shareholder value while ensuring operational integrity                            |
| Airport   | An airport 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 the airport community to grow and prosper | Airport partners consistently meeting their objectives supported by safe and efficient operations and an outstanding visitor experience |
| Community | A local community that is proud of and engaged with its growing airport                | Connecting the region to the world whilst minimising the impact on the unique environment  | Sustainable regional growth achieved across a long time horizon   |

## Strategic Pillars

We will achieve our vision and adhere to our objectives through four strategic pillars:

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

## OPERATIONS 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 stakeholders to deliver passenger growth and share the rewards</b></p> | <ul style="list-style-type: none"> <li>Continue to work on initiatives to encourage airlines to fly directly to Queenstown and to grow sustainable air connectivity with a focus on expanding existing links and capitalising on new opportunities</li> <li>Further evaluate how visitors connect with Queenstown based on our 30-year demand forecasting and our route development strategy</li> </ul>   | <ul style="list-style-type: none"> <li>Airline route development strategy</li> </ul>  | <ul style="list-style-type: none"> <li>June 2018</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 Queenstown Airport terminal capacity through the introduction and expansion after-dark flights. After dark flights 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>Continue to manage resourcing within QAC's Operations team to manage both overall growth and growth into the expanded hours of operation. A strong focus on collaborative operations, continuous improvement and facilities management continues across the business</li> <li>The acquisition of Lot 6 continues to be a priority in order to optimise airfield operations, allowing the positioning of a parallel taxiway and relocating the general aviation precinct away from scheduled operations and enabling additional apron capacity for scheduled operations</li> </ul> | <ul style="list-style-type: none"> <li>Purchase and implement new winter operations equipment</li> <li>Increase capacity in baggage make-up area</li> <li>Apron asphalt overlay</li> <li>Terminal upgrade</li> </ul><br><ul style="list-style-type: none"> <li>PWA completed</li> </ul> | <ul style="list-style-type: none"> <li>July 2017</li> <li>June 2018</li> <li>March 2018</li> <li>Dec 2017 to June 2020</li> </ul><br><ul style="list-style-type: none"> <li>June 2019</li> </ul> |

## OPERATIONS STRATEGY

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

| Objectives   | Key initiatives   | Performance targets  | Timing  |
|--|---|--|---|
| <p><b>Deliver New Zealand’s safest, most secure and efficient passenger experience through engaging with the airport community in collaborative operations</b></p> | <ul style="list-style-type: none"> <li>• Operations team will continue to lead the promotion, scope and delivery of improvements for passenger facilitation, 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 expand the nationalities which can utilise E-Gates</li> <li>• IATA service level C maintained for all but peak days</li> <li>• Work collaboratively with Airways to introduce technology to manage the increasing risk of unmanned aerial vehicle (Drone) risks to historic aviation activities.</li> </ul> | <ul style="list-style-type: none"> <li>• Collaborative Border Agency Space Modification (BASM) group to focus on terminal capacity optimisation, end-to-end process improvement of passenger facilitation and operational efficiencies</li> <li>• Seasonally-based passenger processing targets agreed by border agencies, reviewed weekly and reported</li> <li>• New biometric automated passenger processing expanded to more nationalities</li> <li>• Top 5 and bottom 5 quarterly targets shared with collaborative operations team and improvement targets set.</li> <li>• Trial and identify Unmanned Traffic Management (“UTM”) systems to approve, track and more effectively manage drone flight activities in controlled airspace.</li> </ul> | <ul style="list-style-type: none"> <li>• June 2017</li> <li>• Ongoing</li> <li>• August 2017</li> <li>• Ongoing</li> <li>• July 2018</li> </ul> |

## OPERATIONS STRATEGY

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

| Objectives   | Key initiatives  | Performance targets  | Timing  |
|--|--|--|---|
| <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>• Continue to engage the wider airport community in a collaborative approach toward continuous improvement in site health and safety</li> <li>• Develop and implement an Operations-based risk management assurance standard</li> <li>• Through focused leadership, continue to drive 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>• Regularly review the QAC Business Continuity Management (BCM) framework to reflect the size and response scale of operation</li> <li>• Continue to 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 airport community and passengers in airport precinct</li> <li>• Implement comprehensive layered audit programme</li> <li>• ‘Just culture’ procedures embedded in business as usual operations</li> <li>• Achieve health and safety accreditation against AS/NZS 4801 and continue to implement ICAO/CAR based SMS against 3-year plan</li> <li>• Stress-test BCM plan/contingency procedures</li> <li>• Further non-aeronautical (i.e. earthquake, terminal fire) exercises planned and delivered to stress-test our emergency preparedness</li> </ul> | <ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Ongoing</li> <li>• December 2017</li> <li>• Ongoing</li> <li>• January 2018</li> <li>• June 2017 onwards</li> <li>• June 17 – April 2018</li> </ul> |
| <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 and understand their current performance/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 and corrective action ticketing and reporting software to more efficiently track and manage maintenance activities.</li> <li>• Contingency plans and/or infrastructure in place for key utility services and aeronautical systems, i.e. power, water, waste water, runway lighting, CCTV, access control, FIDs, ATC</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. Implement fault, defect and corrective action reporting and recoding software.</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>• Ongoing</li> <li>• November June 2017</li> <li>• January 2017 onwards</li> <li>• Ongoing</li> <li>• February 2018</li> </ul>                    |



## COMMERCIAL STRATEGY

*Providing value to our visitors*

| Objectives  | Key initiatives  | Performance targets  | Timing   |
|---|--|--|--|
| <b>Develop a boutique terminal retail mix that reflects the uniqueness and quality of the regional experience and optimises returns and customer satisfaction</b> | <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 financial forecast</li> </ul>  | <ul style="list-style-type: none"> <li>2018-2020</li> </ul>  |
| <b>Optimise returns from transport networking activity by optimising products, price and partnerships</b>   | <ul style="list-style-type: none"> <li>Changes to the Queenstown Airport terminal road network and carparks will be made by 30 June 2017 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>Launch a 12-month park and ride trial</li> <li>A new car parking and transport strategy will assist us in future planning for car parking, ground transport capacity and new related 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> <li>Park and ride trial provides sufficient data to inform a long-term off-terminal strategy</li> </ul> | <ul style="list-style-type: none"> <li>June 2017</li> <li>June 2017</li> <li>June 2017 – June 2019</li> <li>April 2017 – April 2018</li> </ul> |
| <b>Introduce innovative new revenue opportunities, particularly through the use of digital media and technology</b>   | <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 use 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 and behaviours via quarterly research results (i.e. airport experience survey)</li> <li>Review advertising assets, contracts and suppliers</li> <li>Roll out a phased plan of digital media and technology improvements</li> </ul>  | <ul style="list-style-type: none"> <li>Quarterly</li> <li>June 2018</li> <li>July 2017</li> </ul>  |

## PROPERTY STRATEGY

*Making best use of our land*

| Objectives   | Key initiatives  | Performance targets   | Timing  |
|--|--|---|---|
| <b>Develop a master plan for Queenstown Airport that will inform internal planning, facilitate stakeholder &amp; community engagement and provide a spatial framework for the airport's future</b>     | <ul style="list-style-type: none"> <li>The 30-year master plan process will provide guidance on the land needed for future aeronautical operations and planning requirements for planned growth</li> <li>Explore the opportunity to capitalise on the growth in Frankton Flats by integrating the airport into the surrounding area to support other economic areas for the district</li> </ul>  | <ul style="list-style-type: none"> <li>Draft Master Plan developed</li> <li>Draft Master Plan Options completed</li> <li>Stakeholder engagement on Draft Master Plan</li> <li>Community engagement on Draft Master Plan</li> </ul>  | <ul style="list-style-type: none"> <li>February 2017</li> <li>June 2017</li> <li>June 2017</li> <li>Dec 2017</li> </ul> |
| <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> | <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 for both Queenstown and Wanaka Airports</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>2020 (subject to QLDC's final PDP timeline)</li> </ul>                           |
| <b>Develop land holdings to maximise return on investment while complementing long term aviation growth</b>  | <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>June 2017</li> </ul>   |
| <b>Work with key partners to ensure infrastructure outside the airport supports and does not constrain long term airport growth and vis versa</b>  | <ul style="list-style-type: none"> <li>Participate and provide joint leadership in the Transport Governance Group together with QLDC, NZTA and ORC</li> </ul>  | <ul style="list-style-type: none"> <li>Joint development of a Queenstown Integrated Programmed Business Case</li> </ul>   | <ul style="list-style-type: none"> <li>August 2017</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 new aviation precinct.</li> <li>Assess opportunities to acquire other land that will support the long term growth of the airport</li> </ul>   | <ul style="list-style-type: none"> <li>Secure the acquisition of 'Lot 6'</li> <li>Assess and present land acquisition opportunities on case by case merits</li> </ul>   | <ul style="list-style-type: none"> <li>FY19</li> <li>Ongoing</li> </ul>   |
| <b>Optimise returns on property, leases, licences and commercial property held within QAC's portfolio consistent with strategic objectives</b>                         | <ul style="list-style-type: none"> <li>Continue to evaluate opportunities to grow commercial property portfolio revenues are focused on re-negotiating rents during reviews and when establishing new leases in existing areas based on benchmarking and market dynamics.</li> </ul>  | <ul style="list-style-type: none"> <li>Implement property management system</li> <li>Leases and licences reviewed and renewed and up to date</li> <li>New lease and licence opportunities evaluated and implemented on case by case merits</li> <li>Revenue targets – as per Financial Forecast</li> </ul>  | <ul style="list-style-type: none"> <li>June 2017</li> <li>Dec 2017</li> <li>Ongoing</li> <li>2018-2020</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 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 (Stage IV) improvements delivered</li> <li>Evaluate further opportunities for car parking capacity increases</li> <li>Draft car parking and ground transport (CPT) strategy and plan developed</li> <li>Support the promotion of multi-modal transport choices available at the airport</li> </ul> | <ul style="list-style-type: none"> <li>June 2017</li> <li>Dec 2017 and ongoing</li> <li>June 2017</li> <li>Ongoing</li> </ul> |
| <b>Provide for region-wide aviation growth and opportunities</b>   | <ul style="list-style-type: none"> <li>Agree with QLDC a long term lease over Wanaka Airport</li> <li>If a lease is signed, ensure a smooth transition and integration, with strong community support.</li> </ul>   | <ul style="list-style-type: none"> <li>Complete negotiation and documentation of long term lease</li> <li>Agree transition plan</li> </ul>  | <ul style="list-style-type: none"> <li>Sep 2017</li> <li>Nov 2017</li> </ul>  |

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes*

| Objectives   | Key initiatives   | Performance targets   | Timing  |
|--|---|---|---|
| <b>Invest in our team's development and wellbeing and build an empowered one team culture</b>  | <ul style="list-style-type: none"> <li>Roll out QAC's team values programme and embed throughout the company and wider airport community</li> <li>Consolidate wellness programme throughout organisation</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> </ul>         | <ul style="list-style-type: none"> <li>Ongoing</li> </ul>   |
| <b>Create a deep understanding of our customers, their needs and desires - and how they'll change - to provide a memorable airport experience and effective value propositions</b> | <ul style="list-style-type: none"> <li>Consolidate the data sets built over the past 18 months to build a comprehensive framework of customer insights</li> </ul>   | <ul style="list-style-type: none"> <li>Create customer experience and journey framework</li> </ul>  | <ul style="list-style-type: none"> <li>Mar 2018</li> </ul>  |
| <b>Work with our airline &amp; airport partners to optimise operational efficiency and visitor experience through lean and continuous improvement initiatives</b>                  | <ul style="list-style-type: none"> <li>Work with airline, agency and other airport stakeholders to deliver cross-airport process improvement using lean and other tools. Initial focus is departures processing and ground transport and car parking</li> </ul> | <ul style="list-style-type: none"> <li>Complete 2 lean proof of concept projects (Wave 1): Apron Optimisation, Baggage Make Up Unit</li> <li>Subsequent lean improvement projects implemented (Wave 2, Wave 3)</li> </ul> | <ul style="list-style-type: none"> <li>Sept 2017 (Wave 1)</li> <li>Mar 2018 (Wave 2)</li> <li>Q1 2019 (Wave 3)</li> </ul> |

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes*

| Objectives  | Key initiatives  | Performance targets  | Timing   |
|---|--|--|--|
| <b>Build engagement with stakeholders and the wider region to connect more deeply with the community served by the airport</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.</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, regional and national level to find solutions to the region's destination management issues</b> | <ul style="list-style-type: none"> <li>Work with QLDC, relevant agencies, the business community and the wider resident communities 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>Implement the noise management plan to mitigate noise impacts and address community concerns</b>   | <ul style="list-style-type: none"> <li>Mitigation work will continue rolling out for homes in the inner noise sector</li> <li>Commence work on homes in the mid noise sector</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</li> <li>Mid noise sector consultation commences</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>July 2017</li> <li>Sep 2017</li> </ul> |

## ONE TEAM STRATEGY

*Working together to deliver the best outcomes*

| Objectives   | Key initiatives  | Performance targets   | Timing  |
|--|--|---|---|
| <p><b>Optimise facilities and infrastructure to reduce energy consumption, reduce waste and enhance environmental sustainability</b></p> | <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> <li>• Identify an appropriate sustainable business accreditation to measure and benchmark ongoing improvement in environmental sustainability.</li> </ul> | <ul style="list-style-type: none"> <li>• Refer Aeronautical Strategy targets</li> <li>• Quarterly report to the Board</li> <li>• Baseline metrics and measurements established in line with a sustainable business accreditation process.</li> </ul>                  | <ul style="list-style-type: none"> <li>• Refer Aeronautical Strategy timing</li> <li>• March 2017 ongoing</li> <li>• June 2017 ongoing</li> </ul> |
| <p><b>Fund airport strategies cost-effectively</b></p>   | <ul style="list-style-type: none"> <li>• Prepare a funding strategy for the Master Plan capital requirements.</li> </ul>   | <ul style="list-style-type: none"> <li>• Medium term funding strategy completed</li> <li>• Long term funding strategy completed</li> </ul>  | <ul style="list-style-type: none"> <li>• Dec 2017</li> <li>• June 2018</li> </ul>   |
| <p><b>Technology improvements to improve visitor experience, business resilience and operational efficiency</b></p>                      | <ul style="list-style-type: none"> <li>• Implement a cyber security strategy and enhance business continuity to strengthen Queenstown Airport’s resilience</li> <li>• Implement Car Parking and Ground Transport technology improvements to improve efficiency and visitor experience</li> <li>• Improved CCTV to enhance visitor safety and operational efficiency</li> </ul>   | <ul style="list-style-type: none"> <li>• Cyber security strategy implemented</li> <li>• Car parking and ground transport improvements implemented</li> <li>• Business continuity technology improvements are implemented</li> <li>• CCTV upgrade completed</li> </ul> | <ul style="list-style-type: none"> <li>• Oct 2017</li> <li>• Dec 2017</li> <li>• Dec 2017</li> <li>• July 2018</li> </ul>                         |

# Financial Forecast FY2018-2020

For the Financial Years Ending 30th June

|                                  | Forecast<br>FY18<br>\$'000 | Forecast<br>FY19<br>\$'000 | Forecast<br>FY20<br>\$'000 |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| <b>Total Revenue</b>             | <b>43,663</b>              | <b>49,035</b>              | <b>53,886</b>              |
| Operating Expenditure            | 15,002                     | 16,750                     | 18,146                     |
| <b>EBITDA</b>                    | <b>28,660</b>              | <b>32,285</b>              | <b>35,740</b>              |
| Interest Expense                 | 2,214                      | 2,947                      | 4,236                      |
| Depreciation & Amortisation      | 8,388                      | 9,772                      | 10,640                     |
| Profit Before Tax                | 18,059                     | 19,567                     | 20,864                     |
| <b>Net Profit After Tax</b>      | <b>12,007</b>              | <b>13,048</b>              | <b>14,137</b>              |
| Dividends Paid <sup>1</sup>      | 6,610                      | 7,204                      | 7,829                      |
| Total Assets                     | 357,573                    | 394,224                    | 436,347                    |
| Shareholders Funds               | 256,361                    | 279,505                    | 300,849                    |
| Operating Cash Flow              | 23,331                     | 26,303                     | 29,283                     |
| Capital Expenditure              | 41,257                     | 28,712                     | 37,660                     |
| Closing Debt                     | 80,310                     | 94,570                     | 114,022                    |
| Net Drawdown/(Repayment) of Debt | 26,416                     | 14,260                     | 19,452                     |

| <b>Financial Ratios</b>                                   | Forecast<br>FY18 | Forecast<br>FY19 | Forecast<br>FY20 |
|---|------------------|------------------|------------------|
| <b>Total Pax (000)</b>                                    | <b>2,001</b>     | <b>2,107</b>     | <b>2,180</b>     |
| Percentage International Pax                              | 28%              | 31%              | 32%              |
| Revenue per Pax   | \$ 21.82         | \$ 23.27         | \$ 24.72         |
| NPAT per Pax  | \$ 6.00          | \$ 6.19          | \$ 6.48          |
| Return on Equity (NPAT to Avg SH Funds <sup>2</sup> )     | 4.9%             | 4.9%             | 4.9%             |
| Return on Assets (NPAT to Avg Total Assets <sup>3</sup> ) | 3.6%             | 3.5%             | 3.4%             |
| Gearing: Debt : EBITDA                                    | 2.8              | 2.9              | 3.2              |
| EBITDA > 2 times funding expense                          | 10.5             | 9.2              | 6.9              |
| Shareholders Funds to Total Tangible Assets > 50%         | 71%              | 70%              | 68%              |

*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.*

These forecasts exclude the impact of any change in Wanaka Airport Governance.

# Shareholder Interaction and Corporate Governance

## Regulatory Framework

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.

## 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 of Directors 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 Financial Risk Committee to oversee 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. The Board also has established a Safety and Operations Risk Committee to oversee the Company's performance and reporting related to health & safety and operational activities and monitor compliance with applicable law and its own policies.



## Role of the Board

The Board is responsible for the proper direction and oversight 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 including unaudited Interim financial statements for the period ending 31 December.

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

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

## **Dividend Policy**

The Directors may declare dividends according to the following policy:

At their discretion, Directors may declare a full year dividend each year in a range of 25% and 100% of normalized Net Profit After Tax (NPAT), after adjusting for unrealised gains and losses arising from revaluation of property or treasury instruments and material extraordinary items.

In determining the full year dividend the Directors will also consider:

- the interests of shareholders
- working capital requirements
- capital expenditure requirements
- relevant market practice

An interim dividend may be declared and paid by 28 February each year. Any final dividend will be paid by 31 August each year.

Directors will determine the level of imputation credits having regard to the needs of shareholders.

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

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

## **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 2018-2020. 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.

## **Services Provided to QLDC**

QAC receives a fee from QLDC for the provision of management services at Wanaka Airport calculated on a cost recovery basis only. This fee includes the cost of an onsite staff, providing operations, safety and property management as well as accounting and administration services.

QAC also provides property maintenance services at Glenorchy Aerodrome on behalf of QLDC.

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

## **Strategic Alliance with AIAL**

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. These benefits have 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:

- 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, South East Asia and South America 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 (OAG) has appointed Deloitte to undertake the financial audit of QAC for the three years ended 30 June 2017 to 2019.

## **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 2013; the Companies Act 1993, the Local Government Act 2002, the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (as amended in 2014). These include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

## Corporate Directory

|  |   |  |
|--|---|--|
| <b>Location:</b>   | Queenstown Airport Corporation<br>Airport Administration, Queenstown Airport<br>Sir Henry Wigley Drive<br>Frankton<br>Queenstown 9300 |  |
| <b>Mailing address:</b>                                  | PO Box 2641<br>Queenstown 9349<br>NEW ZEALAND   |  |
| <b>Phone:</b>  | +64 3 450 9031  |  |
| <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%)<br>Auckland Airport Holdings (No2) Limited (24.99%)  |  |
| <b>Directors</b>   | John Gilks (Chairman)<br>James Hadley<br>Grant Lilly<br>Michael Stiasny<br>Norman Thompson  |  |
| <b>Senior Management</b>                                 | Chief Executive Officer   | Colin Keel<br><a href="mailto:colin.keel@queenstownairport.co.nz">colin.keel@queenstownairport.co.nz</a> |
|  | Chief Financial Officer   | Mark Edghill<br><a href="mailto:marke@queenstownairport.co.nz">marke@queenstownairport.co.nz</a>         |
|  | GM Operations and Safety  | Mike Clay<br><a href="mailto:mikec@queenstownairport.co.nz">mikec@queenstownairport.co.nz</a>            |
|  | GM Property   | Rachel Tregidga<br><a href="mailto:rachelt@queenstownairport.co.nz">rachelt@queenstownairport.co.nz</a>  |
|  | Communications Manager  | Jen Andrews<br><a href="mailto:jen@queenstownairport.co.nz">jen@queenstownairport.co.nz</a>              |
| <b>Senior persons per Civil Aviation Rules, part 139</b> | Chief Executive Officer   | Colin Keel   |
|  | Chief Financial Officer   | Mark Edghill   |
|  | GM Operations and Safety  | 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                                  |