



Queenstown Airport Corporation Limited

Statement of Intent

2015-2017

27 May 2014



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Queenstown Airport Business

The primary activity of Queenstown Airport Corporation Limited (QAC) is to operate Queenstown Airport (ZQN) efficiently and effectively and on sound business principles for airport users. - This consists of providing appropriate landside and airside facilities for its users, including both commercial and non-commercial aviation users and their passengers, and developing wider commercial opportunities that complement the use of the Airport and its surrounding land.

QAC also provides airport and property expertise to assist the Queenstown Lakes District Council (QLDC) with the management of the Wanaka Airport and the Glenorchy ~~Airstrip~~ Aerodrome.

Mission, Vision Statement, Goals, and Objectives

Mission Statement

To provide airport and related facilities in the district and meet the growing needs for airport services to the Lakes District, to the highest quality in an economically sustainable manner and in the best interests of the community.

Vision Statement

“Seize the challenge to make Queenstown easy to get to, with an airport experience that leaves a wonderful first and lasting impression”

Goals

To achieve its mission QAC has established a number of goals. These are to:

- Deliver sustainable income growth through increased income diversification and cost management
- Promote the Airport and Queenstown Lakes District to grow visitor numbers
- Develop the Airport infrastructure and facilities to support the District's economic growth while maximising use and avoiding over-capitalisation
- Provide people using the Airport with a 'wonderful experience' consistent with our vision
- Establish the Airport as a preferred place to work and do business within the District
- Operate as a socially and environmentally responsible part of the Queenstown Lakes District community

[Goals rewritten and reordered as per QLDC feedback]

Objectives

The six goals set out above each support a range of objectives and key initiatives that are outlined in pages **8 to 19** of this Statement of Intent (SOI).

~~A description of how QAC's goals and objectives for the forecast period 2015-2017 align to the Council Outcomes set out in QLDC's Annual Plan 2012-2022 is provided in Appendix 1 to this SOI.~~
[Appendix 1 deleted given Council's work on changing the 2012-2022 Annual Plan]

Corporate Governance

The QAC Board and management are committed to ensuring the Company meets 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.

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
- Assessment of business opportunities and business risks
- Internal control and assurance systems
- Compliance with relevant law
- Monitoring financial performance and achievement of the strategic initiatives and SOI objectives
- Integrity of management information systems
- Appointment and monitoring of the performance and remuneration of the Chief Executive Officer (CEO)
- 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

Regulatory Framework

This SOI sets out QAC's overall goals and objectives for the three financial years ending 30 June 2015, 2016, and 2017, and is prepared in accordance with Section 64(1) of the Local Government Act 2002.

QAC is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002. Under section 59 of the Local Government Act 2002, the principal objective of a CCTO is 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 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 Process

In accordance with Local Government Act 2002, the Company submits a draft SOI for the coming financial year to QLDC by 1 March. After due consultation with QLDC, and after considering any comments from QLDC, the final SOI is approved by the Board of Directors and delivered to the QLDC by 30 June.

Shareholders

QAC's Shareholders are QLDC (75.01%) and Auckland International Airport Ltd (AIAL) (24.99%).

Leveraging value from the strategic alliance with Auckland International Airport Limited

AIAL's investment in QAC included an undertaking between the two companies to work together to grow QAC's business returns and increase passenger numbers. Financial and passenger growth targets were set which have been exceeded.

The current focus for the Strategic Alliance is less on financial and passenger output measures and more on inputs. Particularly, inputs involving a sharing of AIAL intellectual property and general airport expertise. For example, during the 2013 calendar year, members of AIAL's Property Team have assisted QAC with its retail lease plans. QAC has benefitted from AIAL's input on IT systems, risk management systems and processes, carpark equipment, its noise mitigation programme, and trans Tasman route development.

The value of having a sounding board for airport business issues should not be underestimated. On top of this in the coming 18 months, AIAL will specifically provide QAC with:

- | | |
|--|--|
| • Support in finalising the retail offerings within the terminal | • Support in the roll out of the noise mitigation programme (PC35) to ensure QAC is seen as proactive socially responsible, and professional in implementing its PC35 obligation |
| • Input on airport trends and operating efficiencies | |
| • Peer review of the Risk Management project outcomes | • Training and/or mentoring support for personnel |
| • Peer review of capital plans – quantum and timings - as they link to the airport's Master Plan | • Support with procurement, including insurance |
| | • Targeted route development for direct scheduled services including joint promotion of Queenstown and the Southern Lakes Region |

AIAL will continue its own route development into markets, such as China and Indonesia, that can not support direct flights to Queenstown due to aircraft size. However, promotions will feature Queenstown and promote passengers travelling through AIAL to Queenstown on domestic carriers.

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
- Directors' 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 statement
- Notes to the financial statements including accounting policies
- A Statement of Service Performance summarising QAC's performance of the SOI goals and objectives

Goals, Objectives, Key Initiatives, and Measures

Goal 1: Deliver sustainable income growth through increased income diversification and cost management

[Previously Goal 6 reworded: Operate as a successful business growing the return on funds invested in the medium and long-term]

It is essential we run the Airport to deliver strong financial returns that improve year-on-year. Aeronautical pricing was reset in 2012 for a 9 year period to 2021 and assumes strong passenger growth. QAC's aeronautical returns are therefore mostly predetermined and above forecast passenger growth has marginal upside for aeronautical revenue. Non aeronautical revenue, on the other hand, provides QAC with opportunities for upside from increasing passenger numbers and adding to the range of services being offered.

~~QLDC are focused on cost and debt reduction and it~~ It is important QAC work to self-fund capital growth in the short-term. During the SOI forecast period – 1 July 2014 to 30 June 2017 – QAC does not plan to seek additional capital. The equity injection by AIAL in 2010 allowed QAC to reduce debt to today's low levels and QAC has the financial capacity to increase debt to fund the infrastructure developments anticipated through the forecast period.

Objective	Key Initiatives
<p>Generate improved business returns over the forecast period sufficient to:</p> <ul style="list-style-type: none"> • support the funding of growth capital • provide a dividend that meets shareholder expectations. 	<p>Growing non-aeronautical revenue with an improved offering to the travelling public.</p> <p>Development of a new aviation precinct on Lot 6 land that will provide opportunities for an expanded offer to Airlines, General Aviation and Private Jets.</p> <p>Maintain an affordable level of debt sufficient to fund forecast capital spending consistent with our Treasury Policy.</p>
<p>Strive for Operational Excellence through continuous improvement programmes.</p>	<p>Develop an overarching Risk Management system incorporating CAA, Health & Safety and Environmental risk management systems.</p> <p>Operate a Safety Management System covering both landside and airside.</p> <p>Implement management strategies to minimise ing birdlife in the vicinity of the airport that pose a bird strike hazard.</p> <p>Implement Noise management mitigation in line with PC-35.</p> <p>Explore opportunities to improve <u>Improving</u> the airline check-in area for greater self-check-in <u>self-check-in</u> and common use bag drops.</p> <p>Identify ways to measure delays to scheduled aircraft due to congestion on the runway to determine savings from a parallel taxiway.</p>
<p>Develop and motivate staff to embrace our vision for the business and to want to make a difference.</p>	<p>Staff inductions and service training, possibly linked to QRC initiatives.</p> <p>Regular team briefings on QAC's direction and performance.</p>
<p>Diversify revenues to de-risk the business.</p>	<p>Increase commercial revenues.</p>

Measures

Financial

- Achievement of financial forecasts.
- Manage finances and debt levels within parameters set by the Board.
- Revenue mix between aeronautical and non-aeronautical.

Operational

- Recertify QAC with CAA.
- International Air Transport Association (IATA) Service Level C maintained.
- Aeronautical operations comply with QAC's aerodrome certificate as confirmed by:
 - Internal audits
 - CAA audits.
- SMS system implemented that covers air and landside operations. Tenants and Airlines are sharing safety hazards and incidents with QAC for learnings.
- Staff Culture Survey.
- Check-in capacity increased without the need to build.

Goal 2: Promote the Airport and Queenstown Lakes District to grow visitor numbers

[Previously Goal 3 slightly reworded: Promote the Airport and the Region to grow visitor numbers]

Airports no longer operate on a 'build it and they will come' basis. They are now actively engaged in securing passenger growth by working with airlines to establish new routes or grow capacity on existing routes. AIAL has a large team dedicated to route development and their expertise will be important to QAC initiatives in this area.

The local Regional Tourism Organisations (RTOs) do a great job promoting Queenstown, Wanaka, and the Southern Lakes Region generally. QAC, working alongside AIAL, can help RTOs with their goal of attracting high-value, longer staying visitors.

Direct international commercial flights to Queenstown are based on Boeing 737 or Airbus A320 aircraft meaning our international focus is restricted to East Coast Australia and Pacific Islands. This is not seen as a constraint with a focus to improve connectivity from our key international feeder airports of Auckland, Christchurch, Sydney, and Melbourne.

The Qantas group alliance with Emirates is positive for the region and QAC will work to promote the additional market reach provided by this alliance.

The withdrawal of Jetstar from Christchurch and Wellington routes has led to a fall in seat capacity and consequently passengers from these routes. This has resulted in falling domestic passenger numbers year-on-year through FY14.

QAC and the Region will benefit from growth in off-peak months and initiatives like the proposed Queenstown Convention Centre will help attract visitors to our region during these periods.

Objective	Key Initiatives
To be actively involved in route development focusing on new services or increased capacity from Australia, Pacific Island and New Zealand. This includes adding capacity and frequency to existing routes.	QAC, with support and input from AIAL, works with Airlines, Tourism New Zealand and RTOs to grow visitor numbers to the wider region. Particular emphasis is on growing off peak volumes.
Make Queenstown Airport easier to get to with better improved connectivity at hub airports.	Increase flying window with evening flights. Target long haul travellers promoting connectivity via hub airports.
Assist selected local events as far as possible by allowing promotion within and around the terminal.	Provide space for welcome desks and other opportunities on a case-by-case basis.
Measures	
<ul style="list-style-type: none"> • Growth in passenger numbers. • Increase in scheduled airline capacity being flown into ZQN either from: <ul style="list-style-type: none"> • new routes flown by new or existing airlines • new flights on existing routes • larger aircraft introduced on existing routes, e.g. A320 replacing older generation 737s; more jets on the ZQN-CHC route. • Joint marketing campaign(s) are undertaken and their success measured. 	

Goal 3 – Develop the airport infrastructure and facilities to support the District’s economic growth, while maximising use and avoiding over-capitalisation

[Previously Goal 1 slightly reworded: Develop the Airport infrastructure and facilities to support the Region’s growth while maximising utilisation of existing facilities to avoid over-capitalisation]

ZQN may be the fastest growing airport in Australasia; and we are definitely the fastest growing New Zealand airport. This growth comes at a price as airport infrastructure and facilities need to develop in line with passenger growth if we are to meet passenger expectations of a modern airport. QAC’s strategy is to develop incrementally in response to passenger growth and the terminal Master Plan has been developed along these principles. Airfield infrastructure by its nature tends to be lumpy and requires careful planning in consultation with users to ensure it is delivered in a timely manner.

ZQN remains a small airport compared to the city airports of Auckland, Christchurch, and Wellington. At peak times we are very busy, while outside the peaks we can have surplus capacity. The facilities used by international travellers are those most under pressure during peaks, but the most under-utilised outside the peaks. ~~The international arrivals area is under sized and requires expanding.~~

Wherever possible, airside areas (the terminal areas beyond security screening), have built-in flexibility to allow use by either domestic or international flights. Holding passengers in the main terminal area and allowing access through security to the departure lounges on a ‘just in time’ basis during busy times is another approach to addressing congestion and improving the passenger experience.

~~In 2012 a new international departure lounge was built, oversize baggage belts were introduced and additional areas added for security screening and outbound customs. In 2013 we provided extra space in the Ministry of Primary Industries (MPI) inspection area for inbound international passengers. The rental car area was revamped, new duty free areas provided, and refreshing of the retail and café areas in the terminal commenced.~~

~~Expanding the international passenger arrival facilities is the focus for 2014. Remodelling the check-in area will be explored with a view to increasing the use of self check-in and common use bag drops.~~

Winter 2014 will see a 30 percent increase in international flights to and from Queenstown and the resulting growth in international passengers will exceed our terminal capacities. For the coming winter a second international arrivals baggage belt will be added and housed in a temporary facility.

By winter 2015, an expanded international arrivals area will have been built incorporating the second baggage belt as well as increased areas for Immigration, Customs, and MPI screening. The International Departures Lounge will be expanded to accommodate the peak periods for departures.

The check-in area will operate at capacity in winter 2014 with potential for serious congestion. QAC terminal staff will work with airlines to improve queuing within their check-in area. The focus after winter 2014 will be to increase throughput capacity with greater use of self-check-in kiosks and online check-in; and providing common user bag drops. If successful this will defer the need to build an extra check-in hall area.

The major infrastructure projects planned for the forecast period are:

- Terminal expansion for international arriving and departing passengers
- Additional jet stands
- Evening flight infrastructure
- Check-in upgrade
- Acquisition and development of Lot 6 land.

Acquiring land from Remarkables Park Limited (RPL) for a new aviation precinct remains a priority. A negotiated settlement is preferred. Notwithstanding, the initiative was recognised by the Minister for the Environment as a 'project of national significance' back in February 2011, the court process continues and a conclusion before the end of 2014 is now unlikely. The delays block QAC's plans to establish corporate jet facilities and frustrates the expansion plans of the region's General Aviation (GA) industry.

~~Being able to land and depart scheduled services throughout the existing consented window of 6am to 10pm requires New Zealand's Civil Aviation Authority (CAA) and Australia's Civil Aviation Safety Authority (CASA) approval for airlines to operate after dark. Obtaining these approvals will allow a spreading of flights in the peak winter months that will provide better utilisation of existing airport capacities. Proving to CAA and CASA that evening flights can occur safely is the starting point and will dictate what, if any, additional infrastructure is required at ZQN.~~

EVENING FLIGHTS

Being able to land and depart scheduled services throughout the existing consented window of 6am to 10pm requires New Zealand's Civil Aviation Authority (CAA) and Australia's Civil Aviation Safety Authority (CASA) approval to operate after dark. The first step to Evening Flights was the May 2014 approval of the Foundation Safety Case which provides a pathway of the technology, infrastructure, and operational steps required to enable flights after dark to happen.

In June 2012 QAC formed a working group of technical and operational experts with experience in RNP AR (Authorisation Required) and Queenstown-specific operations to prepare a Foundation Safety Case.

The working group included representatives from QAC, Airways NZ, Jetstar, and Qantas, and was facilitated by risk management experts Navigatus Consulting. Each organisation set aside its commercial interests to work towards achieving a common goal – to examine whether flying in and out of Queenstown Airport at night could be undertaken safely and, if so, under what conditions. The group went through a thorough and collaborative process to achieve a comprehensive understanding of the factors influencing the safety of operations and options for addressing these.

The main elements required to be in place before the commencement of after-dark flights are:

- Widening of the runway to 45m (from the current 30m)
- A comprehensive aeronautical lighting package (runway, taxiway, approach and off-airport lights)

- A customised crew selection and training package
- Employing the full capability of the existing RNP AR technology
- Changes to on-board flight procedures to reduce pilot workload on final approach
- Individual airline applications and approvals

The commercial arrangements between QAC and the airlines have still to be addressed and infrastructure put in place, meaning the first evening flights are not likely until winter 2016.

Passenger growth – How fast can QAC grow?

The tables below show historical passenger growth numbers and QAC's assessment of growth for the current financial year and over the SOI forecast period of 2015-2017. Our forecast growth in passenger numbers is down on previous years. However, there will be increasing pressure on terminal capacities at these levels.

Achieving the right balance of terminal facilities between domestic, international, and common use is important.

Over half of the annual passenger growth through the period is from international flights. This uneven growth is accentuated in FY14 as domestic volumes fall and international passenger numbers continue to maintain double-digit growth. An expansion of the international arrivals area is now a priority to maintain service levels during peaks.

Historical Passenger Growth for the 4 year period 1 July 2009 to 30 June 2013 from FY2009 base year.

	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	Change FY09- FY13	Average per-year
Total Pax ('000)	684	812	924	1,047	1,199	515	129

Forecast Passenger Growth for the 4 year period 1 July 2013 to 30 June 2017 from FY2013 base year.

	FY2013 Actual	FY2014 Forecast	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast	Change FY13-	Average per-year
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					Forecast	FY17	
Total Pax ('000)	1,199	1,214	1,289	1,390	1,484	282	74
However, an average passenger growth rate of 8% pa in the forecast period 2015-2017 will see ZQN handling 1.5m passengers by FY2017, only 5 years after breaking the 1 million passenger milestone.							

Objective	Key Initiatives
To be well informed of airport and aviation trends and drivers of passenger volumes that will positively or negatively impact demands on our infrastructure.	AIAL engagement on airport and airline trends. Selective attendance at industry conference or workshops. Selective use of aviation consultants.
Develop plans for continued growth so as not to impede the region's growth.	Annual Master Plan review to ensure developments to the airport's infrastructure and facilities continue to address anticipated passenger growth and industry trends. Acquire land south of the runway for development of a new aviation precinct, freeing up land for terminal expansion. Capital plans updated for airport developments forecast for the next <u>105</u> years. Expand the international arrivals area. Upgrade check-in area to increase common use facilities and take advantage of new self-check-in practices.
To expand the approved window for airlines to arrive and depart ZQN, taking advantage of ZQN's consented operating hours of 6am to 10pm.	Approval by CAA of the Foundation Safety Case for evening flights. Develop a business case for funding the infrastructure to allow evening flights. Airlines to submit individual safety cases to CAA or CASA for approval.
Ensure expansions to the Airport infrastructure and facilities are delivered in a timely manner to balance the risks of over-capitalisation with the risks of turning away passengers and aircraft.	Ongoing consultation with airlines and GA users on adequacy of infrastructure. Passenger feedback via surveys. AIAL to peer review development plans.

Measures

- Forecast capital plans can be funded by QAC through cashflow and increased debt.
- Master Plan review completed with Board and shareholder representatives.
- QAC's purchase of 16ha of RPL's Lot 6 land completed.
- ~~Airline(s) submitted Operational Safety Case for evening flights.~~ arrangements agreed to commence evening flights for winter 2016.
- Evening flight airfield developments completed for winter 2016 flights.
- ~~CAA approval obtained of the Foundation Safety Case for evening flights.~~
- ~~Development plans approved for additional long-term international arrivals capacity.~~ Short-term Construction commenced for terminal expansion for international passenger areas by September 2014.
- Temporary international arrivals capacity added for winter 2014.

Goal 4: Provide people using the Airport with a “wonderful experience” consistent with our vision

[Previously Goal 2: No change]

The travelling public expect their airports to be comfortable and safe places to be in with clear way finding (signage), easy flows with minimal congestion, and a range of services to be available for their convenience. For the departing passenger this seamlessness must extend from parking, to check in, moving through security screening to the departure lounge, to boarding the plane. For arriving passengers it is from disembarking the plane to finding one's way through the terminal to the baggage claim area, the exits, public transport, rental cars, or carpark.

The ZQN terminal has been built to embrace the surrounding landscape and provide stunning views. All changes to the internal layout or future expansion will be done in a way to maintain the current terminal ambience. The retail review we commenced in 2013 aims to provide passengers with shopping options that promote Central Otago and provide a point of difference for ZQN. The public areas of the terminal have gone through a transformation since April 2013, starting with an upgrade to the rental car area followed by a revitalisation of our retail offering with the introduction of local brands – Remarkable Sweet Shop and Kapa. The final stage is new café and bar offerings.

Patagonia opened its new café in March 2014 and has been very well received. Airspresso has taken over the main terminal café and bar lease and will carry out a substantial refurbishment before it reopens in July 2014.

Carparking space has been at a premium at certain times of the year and we are developing plans to increase the number of parking spaces. This is not an easy task and we will take the opportunity of expiring leases to convert land to carparks. This change in land use will provide QAC with higher commercial incomes at the same time as better meeting the needs of our travelling public.

The long-term parking option created during 2013 has proved very popular and the available spaces do not meet demand throughout much of the year. We will introduce an online booking system for parking from 2015 to meet customer requests.

The airport is serviced by Connectabus and Connexions providing public transport to Queenstown, Cromwell, and Wanaka on a scheduled basis. Tracknet Transport provides scheduled services to Te Anau, Milford Sounds, and Invercargill. Group tour coaches are provided parking close to the terminal for convenient pick-up and drop-off.

Objective	Key Initiatives
Provide a superior experience for people using the airport from access roads, parking, and in-terminal experience.	<p>Provide suitable land transport options for access to and from the Airport. <u>Increase parking offer.</u></p> <p><u>Work with QLDC on opportunities to enhance public transport/accessibility to airport users.</u> Build on long term parking options.</p> <p>Enhance the retail and Food and Beverage (F&B) experience at QAC to better match passenger needs and embrace the region.</p> <p>Continue seasonal theming within the terminal to provide a warm welcome and reflect a sense of place.</p>
<p>Ensure people flow through the terminal is efficient such that:</p> <ul style="list-style-type: none"> • congestion in the terminal and overcrowding in the departure lounges is minimised • congestion for international arrivals <u>passengers</u> is reduced. so that passengers queuing outside the arrivals hall is minimised. 	<p>Revisit way finding and Flight Information Display Screens (FIDS) screens.</p> <p>Active management of people flows by Airport staff during peak period, especially winter. Co-ordination of Airlines, AVSEC, Customs and MPI during these peaks.</p> <p>Working with Customs, MPI and AVSEC for the necessary resources to handle the international passenger peaks. <u>Terminal expansion for winter 2015.</u> <u>Temporary capacity for winter 2014.</u></p> <p>Working with Customs, investigate <u>introduce</u> ing the next generation of smart gate technology for Queenstown's international arriving passengers.</p> <p>Expand the international arrival <u>and departures</u> areas.</p>

Measures
<ul style="list-style-type: none"> • Revamp of the retail and café areas completed first half 2014 calendar year <u>main café for winter 2014.</u> • A range of transport options exist and meet the needs of airport users. • Reduced passenger queuing for AVSEC. • <u>Temporary</u> New international arrivals capacity <u>added available</u> for winter 2014 peak <u>(July and August).</u> • <u>Passenger surveys.</u> <u>Survey established in 2014 to measure passenger experience and obtain feedback.</u> • <u>New arrivals duty free and new international departure retail secured for 2015 terminal expansion.</u> • <u>Smartgates available to inbound international passengers for July 2015.</u> • <u>15% increase in parking spaces by end 2015.</u>

Goal 5: Establish Queenstown Airport as a preferred place of work and business within the District

[Previously Goal 4 with minor wording changes: Establish Queenstown Airport as a preferred place of work and business within the Region]

Lease income from businesses operating in the airport terminal and on land in the airport precinct, together with parking revenues, are an important and increasing part of QAC's profitability.

QAC is a major hub for people, receiving over 1.2 million passengers per year as well as those that come to greet or farewell travellers. These people expect a range of services to be available to them; be it rental cars, retail, food and beverage, banking, transport, or tour desks etc, and in turn businesses providing these services are keen to be a part of the airport's success and enhance the service offered to airport users.

QLDC is reviewing the Region's District Plan and the recently released 'strategic directions' chapter of the Proposed District Plan recognises the importance of the Queenstown Airport. QAC will be promoting the creation of a specific Airport Zone to apply across all QAC's airport designated land holdings.

Queenstown Airport is already a major employment hub in the region and future employment growth at the airport should outperform the rest of the region. As our passenger numbers expand so too will our service offerings, subject to terminal space to house them.- If we are successful in our plans to introduce evening flights throughout the year from winter 2016, QAC and our tenants will need extra staff to manage the expanded operating hours.

Objective	Key Initiatives
The region understands the diversity of businesses and jobs at the Airport.	QAC communications to profile the diversity and growth in business. Ensure the contribution of the airport and the businesses operating at the airport are duly recognised in QLDC's upcoming District Plan review <u>through the creation of an Airport Zone across all airport designated land.</u>
Businesses serving passengers are professional and successful. They employ people that embrace the QAC's vision for the travelling public.	QAC to provide regular updates to all staff and tenants on developments and prospects of the airport.
The benefits from growing passenger numbers flows through to all businesses operating at the Airport.	Survey tenants on their Airport experience. Survey passengers on their terminal service experience.

Measures

- Annual Review, ZQN News features, selected media releases as required.
- Website developments to profile service offerings at the terminal.
- Airport wide team briefings three to four times per year.
- Survey results.
- QLDC's District Plan ~~provides for the continued growth of the Airport and its related businesses~~ adopts a specific Airport Zone.

Goal 6: Operate as a socially and environmentally responsible part of Queenstown Lakes District community

[Previously Goal 5 reworded: Be socially and environmentally responsible for the benefit of the community and in alignment with QLDC's desired outcomes]

We operate a business that provides essential infrastructure to our community and region and at the same time we have impacts on local neighbours that need to be managed. Increasing aircraft noise, in particular, is a direct negative consequence of our growth. ~~A QAC initiated plan change (PC35) will reset noise boundaries to accommodate growth and introduce a programme of QAC funded noise mitigations for affected residents.~~

The Queenstown Airport Noise Management Plan was adopted by the Queenstown Airport Liaison Committee in February 2014, commencing a new period in QAC's operations involving regular noise monitoring and providing for noise mitigation packages to neighbouring homes. Developing the systems to ensure the rollout runs smoothly, and communicating the programme to the community are early priorities.

QLDC has a focus on reducing water use, reducing inflows to the town's sewerage system, and reducing waste to landfill. QAC can help with all these initiatives.

Part of the Frankton Golf Course is on land owned by QAC. We need to balance achieving a market return on the land with the public amenity the course provides the community.

Queenstown Airport Liaison Committee

The Queenstown Airport Liaison Committee held its first meeting in November 2013. Chaired by Jane Taylor, (Queenstown-based barrister and an independent Hearings Commissioner in resource management matters) the Committee includes three community representatives; Gregory Miller, Steve McIsaac, and Scott Freeman, as well as:

Scott Paterson (QAC - CEO), Mark Harrington (QAC - GM Operations), Bob Fletcher (Air NZ), representing scheduled airlines, Clayton Lightfoot (Airways), Dave Matthews (Helicopter Line), representing general aviation, and Nathan Keenan (QLDC).

The Committee will oversee the airport's Noise Management Plan, including the rollout of noise mitigation measures for local residents. A section of QAC's website (www.noise@queenstownairport.co.nz) is dedicated to information on noise, including an overview of the airport's noise boundaries, the role of the Committee, and what QAC will do to mitigate effects of noise for residents.

A programme to rollout noise mitigation assistance will be developed for the second half of 2014, ~~making Queenstown the second New Zealand airport after Auckland to provide such assistance to its local neighbours.~~

Objective	Key Initiatives
Reduce our impact on Council's infrastructure with a particular focus on water and waste management.	<p>Water use is measured and initiatives developed to reduce water use per passenger. Firstly, to cap the total volume per pax of reticulated water used on site, and latterly reduce that total volume.</p> <p>Waste is measured and initiatives developed to reduce the amount of waste sent to landfill from the airport site, initially on a per pax basis and latterly on a total volume basis.</p> <p>Establish base energy use to allow improvement initiatives to be measured.</p>
Manage the noise impact of the airport on the surrounding residential and business areas.	Implementation of the PC35-Noise Management Plan requirements around noise monitoring and mitigation.
Engage with the Community, keeping them informed on developments at the airport and future plans.	<p>CEO and Senior Executives to present at community forums on airport developments and future plans.</p> <p>The Queenstown Airport Liaison Committee established to oversees noise management plans for ZQN.</p> <p>Support community events.</p> <p>Continue to make land available to QLDC Sport and Recreation for the Frankton Golf Course at concessionary rents for as long as that land is not needed for airport purposes.</p> <p>Protect QAC-owned heritage buildings.</p>
Support QLDC with its plans for Wanaka Airport and oversee Glenorchy Airstrip Aerodrome .	<p>Make management and airport expertise available to Wanaka Airport and Glenorchy AirstripAerodrome.</p> <p>Provide accounting and admin services to Wanaka Airport.</p>
Participate in Council and Regional Planning and the Resource Management Act (RMA) process to protect the Airport from unintended planning consequences.	<p>Remain watchful and active in surrounding land developments, and plan changes that may conflict with the Airport.</p> <p>Achieve planning that is consistent with airport operations driven by the Master Plan.</p> <p>Progress Noise Boundary Plan Change (PC35) to inclusion in the District Plan.</p> <p>Create an Airport Zone for ZQN.</p>

Measures

~~Queenstown Airport Liaison Committee operational.~~

- ~~Tranche One of QAC's Noise Mitigation Programme rolled out commencing September 2014~~
- ~~2014/15 Noise monitoring concluded and outputs shared with community second quarter 2015~~
- Airport noise, as measured, is within the levels set in the District Plan.
- Information releases are regular, accurate and remain relevant e.g. passenger stats, website content, ZQN Newsletter, and media releases.
- Water volume used per year, with a view that:
 - water use per pax over the forecast period is constant or declining
 - total water volumes used at ZQN peaks during the forecast period and is in decline by 2017~~6~~.
- Waste water volumes discharged from ZQN, with a view that:
 - volumes per pax over the forecast period is constant or declining
 - total volumes discharged from ZQN peaks during the forecast period and is in decline by 2017~~6~~.
- ~~Wanaka Master Plan is updated and linked to zoning. Flight activity and financial performance improving post Air NZ's withdrawal.~~
- ~~Warbirds over Wanaka 2014 operates with minimal disruption to existing Wanaka Airport users.~~
- Wanaka Airport's financial performance improves year-on-year.

Financial Forecast 2015-17 [updated]

Year Ended 30 June	Forecast 2015 (\$000's)	Forecast 2016 (\$000's)	Forecast 2017 (\$000's)
Total Revenue	23,215	25,804	29,359
Total Operating Expenditure	7,250	7,354	8,317
Operating Cashflow (EBITDA)	15,965	18,450	21,042
Interest expense	1,664	2,067	2,355
Depreciation	4,035	4,857	4,659
Profit Before Tax	10,265	11,526	14,028
Profit After Tax	7,186	8,068	9,819
Total Liabilities	37,023	46,423	52,186
Total Shareholder's Funds	161,724	165,199	169,984
Total Assets	198,747	211,623	222,171
Dividends Paid ²	4,175	4,593	5,034
Anticipated Capital Expenditure	20,434	17,516	14,911
Total Closing Debt	27,212	36,457	41,809
Net Drawdown/(Repayment of) Debt	9,293	9,245	5,352

Notes

1. Average Shareholders funds comprises of opening and closing balances
2. Dividends calculated on a paid basis rather than earned.

Financial Ratios	Forecast 2015	Forecast 2016	Forecast 2017
Aeronautical Revenue per Pax	\$11.83	\$12.10	\$12.73
Commercial Revenue per Pax	\$5.72	\$5.84	\$5.97
NPAT per Pax	\$5.43	\$5.61	\$6.25
Shareholders' Funds to Total Assets	81.4%	78.1%	76.5%
NPAT to Shareholders Funds	4.4%	4.9%	5.8%
EBITDA to Total Assets	8.0%	8.7%	9.5%

Passenger Forecast 2015-17

Year Ended 30 June	Forecast 2015 (\$000's)	Forecast 2016 (\$000's)	Forecast 2017 (\$000's)
Total Pax 000	1,322	1,439	1,570

The numbers in the financial forecast are as at 27 May 2014.

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.

Commercial Value

The Board estimate the commercial value of QAC to be \$177 million to \$206 million; (SOI 2013 – 2016 enterprise value range: \$113 million to \$133 million). This estimate is in line with a PWC high level valuation of November 2013.

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 (cashflow and/or debt) during the forecast period 2015-2017. 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

QAC receives ~~\$70,000 a fee pa~~ from QLDC for the management of Wanaka Airport. This includes the cost of an onsite airport Manager, providing accounting and administration services, management input to the airport's development, and compliance obligations to CAA and Airways.

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

QAC leases land to QLDC that forms part of the Frankton Golf Gourse for \$25,000 pa. The market rental value for the land has been assessed at \$86,500 pa (Seager and Partners, February 2010). The alternative airport-related use for the land could include long-term parking.

Audit

The Office of the Auditor General has re-appointed Deloitte to undertake the Audit of QAC for 3 further years: 1 July 2014 to 30 June 2017.

Accounting Policies

QAC will maintain accounting records in accordance with the Companies Act 1993, and the accounting standards promulgated by the New Zealand Institute of Chartered Accountants.

Corporate Directory

Location:	Queenstown Airport Corporation Airport Administration, Queenstown Airport Sir Henry Wigley Drive Frankton Queenstown 9300	
Mailing address:	PO Box 2641 Queenstown 9349 NEW ZEALAND	
DDI:	03 450 9031	
Fax:	03 442 3515	
Email:	admin@queenstownairport.co.nz	
Website:	www.queenstownairport.co.nz	
Shareholders	Queenstown Lakes District Council (75.01%) Auckland Airport Holdings (No2) Limited (24.99%)	
Directors	John Gilks (Chairman) Alison Gerry James Hadley Grant Lilly Richard Tweedie	
Senior Management	Chief Executive Officer Chief Financial Officer GM Operations GM Property	Scott Paterson – Scott@queenstownairport.co.nz Mark Edghill – Marke@queenstownairport.co.nz Mark Harrington – Mark@queenstownairport.co.nz Sean Thompson – Sean@queenstownairport.co.nz
Senior persons per Civil Aviation Rules, part 139	Chief Executive Officer GM Operations Manager Rescue Fire	Scott Paterson Mark Harrington Bill Wrigley

Abbreviations

AIAL	Auckland International Airport Limited
AVSEC	Aviation Security Service
CAA	Civil Aviation Authority of New Zealand
CASA	Civil Aviation Safety Authority (Australia)
CEO	Chief Executive Officer
CCTO	Council Controlled Trading Organisation
CHC	Christchurch Airport
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
F&B	Food and Beverage
FIDS	Flight Information Display Screens
FY	Financial Year – 1 July to 30 June
GA	General Aviation
IATA	International Air Transport Association
MPI	Ministry of Primary Industries
NPAT	Net Profit After Tax
PC35	Queenstown Lakes District Council Plan Change 35 relating to Airport Noise boundaries.
QAC	Queenstown Airport Corporation, the company that owns and operates Queenstown Airport
QLDC	Queenstown Lakes District Council
QRC	Queenstown Resort College
RMA	Resource Management Act
RPL	Remarkables Park Limited
RTO	Regional Tourism Organisation
SOI	Statement of Intent
ZQN	Queenstown Aerodrome including airfield and terminal