

# AGENDA

**Ordinary meeting of the**

**Joint Shareholders Committee**

**Tuesday 20 August 2019  
Commencing at 1.30p.m.  
Council Chamber  
Civic House  
110 Trafalgar Street, Nelson**

Membership: Her Worship the Mayor of Nelson Rachel Reese (Chairperson), His Worship the Mayor of Tasman Richard Kempthorne, Nelson City Councillors Ian Barker, Mel Courtney, Paul Matheson (Deputy Chairperson), Gaile Noonan, and Tim Skinner, Tasman District Councillors Tim King, Stuart Bryant, Pete Canton, David Ogilvie, Trevor Tuffnell

Quorum: 6 (at least 3 from each Council)

Guidelines for councillors attending the meeting, who are not members of the Committee, as set out in Standing Order 12.1:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings
- At the discretion of the Chair, councillors who are not Committee members may speak, or ask questions about a matter.
- Only Committee members may vote on any matter before the Committee

It is good practice for both Committee members and non-Committee members to declare any interests in items on the agenda. They should withdraw from the room for discussion and voting on any of these items.

**1. Apologies**

Nil

**2. Confirmation of Order of Business****3. Interests**

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

**4. Public Forum****5. Confirmation of Minutes**

5.1 16 April 2019

**7 - 11**

Document number M4165

Recommendation

***That the Joint Shareholders Committee***

- 1. Confirms the minutes of the meeting of the Joint Shareholders Committee, held on 16 April 2019, as a true and correct record.***

Note: the meeting will consider the public excluded items first, then the public will be readmitted for Item 7 – Nelson Airport Ltd Final Statement of Intent 2019-2020.

**PUBLIC EXCLUDED BUSINESS****6. Exclusion of the Public**

Recommendation

***That the Joint Shareholders Committee***

- 1. Confirms, in accordance with sections 48(5) and 48(6) of the Local Government***

***Official Information and Meetings Act 1987, that Daryl Wehner, Phil Lough, Chairperson, and Matt McDonald, Acting CEO, of Port Nelson Limited, remain after the public has been excluded, for Item 2 of the Public Excluded agenda Port Nelson Limited Draft Statement of Corporate Intent 2019/22, as they have knowledge relating to the matter that will assist the meeting.***

Recommendation

***That the Joint Shareholders Committee***

- 2. Excludes the public from the following parts of the proceedings of this meeting.***
- 3. The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:***

<b>Item</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Particular interests protected (where applicable)</b>
<b>1</b>	<b>Joint Shareholders Committee Meeting - Public Excluded Minutes - 16 April 2019</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities</li> </ul>
<b>2</b>	<b>Port Nelson Limited Draft Statement of Corporate Intent 2019/22</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li> </ul>

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
3	<b>Directors remuneration 2019 - Port Nelson Limited and Nelson Airport Limited</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li> </ul>
4	<b>Tasman Bays Heritage Trust - Adoption of Final Statement of Intent and Trustee Remuneration</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li> </ul>
5	<b>Nelson Airport Ltd Director Rotation</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person</li> </ul>

## 7. Nelson Airport Ltd - Final Statement of Intent 2019-2020

12 - 36

Document number R10387

Recommendation

### ***That the Joint Shareholders Committee***

- 1. Receives the report Nelson Airport Ltd - Final Statement of Intent 2019-2020 (A2233882) and its attachment (A2218625); and***
- 2. Notes the delivery of the Nelson Airport Limited final Statement of Intent 2019/20***

***(attachment A2233882) as required under the  
Local Government Act 2002; and***

- 3. Agrees to the final Nelson Airport Limited  
Statement of Intent.***



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## Minutes of a meeting of the Joint Shareholders Committee

**Held in the Council Chamber, Civic House, 110 Trafalgar Street, Nelson**

**On Tuesday 16 April 2019, commencing at 1.32p.m.**

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Present: His Worship the Mayor of Tasman R Kempthorne (Chairperson), Nelson City Councillors I Barker, M Courtney, P Matheson, G Noonan, and T Skinner; Tasman District Councillors, S Bryant, P Canton, D Ogilvie and T Tuffnell

In Attendance: Chief Executive (P Dougherty), Tasman District Council Chief Executive (J Dowding) and Corporate Services Manager, Mike Drummond, Group Manager Community Services (R Ball), Group Manager Corporate Services (N Harrison) and Governance Adviser (E Stephenson)

Apologies: Her Worship the Mayor R Reese, Councillors T King and D Ogilvie

### 1. Apologies

Resolved JSC/2019/001

***That the Joint Shareholders Committee***

- 1. Receives and accepts the apologies from Her Worship the Mayor R Reese and Councillors T King and D Ogilvie.***

Bryant/Barker

Carried

### 2. Confirmation of Order of Business

There was no change to the order of business.

### 3. Interests

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

### 4. Public Forum

There was no public forum.

### 5. Confirmation of Minutes

#### 5.1 20 November 2018

Document number M3917, agenda pages 6 - 10 refer.

Resolved JSC/2019/002

***That the Joint Shareholders Committee***

- 1. Confirms the minutes of the meeting of the Joint Shareholders Committee, held on 20 November 2018, as a true and correct record.***

Tuffnell/Courtney

Carried

### 6. Port Nelson Limited half yearly report to 31 December 2018

Document number R9955, agenda pages 11 - 16 refer.

Group Manager Corporate Services, Nikki Harrison, spoke to the report and answered questions regarding the company's retained earnings.

Resolved JSC/2019/003

***That the Joint Shareholders Committee***

- 1. Receives the report Port Nelson Limited half yearly report to 31 December 2018 (R9955) and its attachment (A2143970).***

Noonan/Barker

Carried

### 7. Tasman Bays Heritage Trust Half Yearly Report to 31 December 2018 and draft Statement of Intent 2019/22

Document number R9965, agenda pages 17 - 68 refer.

Olivia Hall and Emma Thompson of Tasman Bays Heritage Trust were available to answer questions. Group Manager Community Services, Roger Ball, spoke to the report and Group Manager Corporate Services, Nikki Harrison, answered questions regarding outstanding loan balances.

It was noted that the matter would come back to both councils regarding the capital works project, including a funding budget, and that the decision today was to endorse continued progress.

Resolved JSC/2019/004

***That the Joint Shareholders Committee***

- 1. Receives the report Tasman Bays Heritage Trust Half Yearly Report to 31 December 2018 and draft Statement of Intent 2019/22 (R9965) and its attachments (A2149588, A2149585, A2089336 and A2149583); and***
- 2. Notes the delivery of the Tasman Bays Heritage Trust draft Statement of Intent 2019/2022 (A2149585) as required under the Local Government Act 2002; and***
- 3. Provides the following feedback to the Tasman Bays Heritage Trust Board on its draft Statement of Intent:***
  - Endorses the Tasman Bays Heritage Trust plan to continue to progress a capital works project that will safely and appropriately house and care for the Nelson Tasman Regional Heritage Collection; and***
  - Requests the Tasman Bays Heritage Trust to revise its visitation forecasts.***

Tuffnell/Courtney

Carried

**8. Nelson Airport Limited half yearly report to 31 December 2018**

Document number R9954, agenda pages 69 - 93 refer.

Robert Evans, Chief Executive and Simon Orr, Corporate Services Manager, Nelson Airport Ltd, and Tasman District Council Corporate Services Manager, Mike Drummond were available to answer questions.

Mr Evans answered questions regarding the progress of the second stage of the Airport terminal build.

Resolved JSC/2019/005

***That the Joint Shareholders Committee***

- 1. Receives the report Nelson Airport Limited half yearly report to 31 December 2018 (R9954) and its attachment (A2153339).***

Barker/Bryant

Carried

**9. Exclusion of the Public**

Robert Evans, Chief Executive and Simon Orr, Corporate Services Manager, Nelson Airport Ltd, were in attendance for Item 1 of the Public Excluded agenda to answer questions and, accordingly, the following resolution was required to be passed:

Resolved JSC/2019/006

***That the Joint Shareholders Committee***

- 1. Confirms, in accordance with sections 48(5) and 48(6) of the Local Government Official Information and Meetings Act 1987, that Robert Evans, Chief Executive and Simon Orr, Corporate Services Manager, Nelson Airport Ltd, remain after the public has been excluded, for Item 1 of the Public Excluded agenda (Nelson Airport Limited - Draft Statement of Intent 2018-2019), as they have knowledge relating to Nelson Airport Ltd that will assist the meeting.***

Bryant/Barker

Carried

Resolved JSC/2019/007

***That the Joint Shareholders Committee***

- 1. Excludes the public from the following parts of the proceedings of this meeting.***
- 2. The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:***

Bryant/Barker

Carried

<b>Item</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Particular interests protected (where applicable)</b>
<b>1</b>	<b>Nelson Airport Limited - Draft Statement of Intent 2019-2020</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities</li> </ul>

The meeting went into public excluded session at 1.55p.m. and resumed in public session at 2.10p.m.

There being no further business the meeting ended at 2.10p.m.

Confirmed as a correct record of proceedings:

\_\_\_\_\_ Chairperson \_\_\_\_\_ Date

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**Nelson Airport Ltd - Final Statement of Intent 2019-2020**

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**1. Recommendation**

***That the Joint Shareholders Committee***

- 1. Receives the report Nelson Airport Ltd - Final Statement of Intent 2019-2020 (A2233882) and its attachment (A2218625); and***
- 2. Notes the delivery of the Nelson Airport Limited final Statement of Intent 2019/20 (attachment A2233882) as required under the Local Government Act 2002; and***
- 3. Agrees to the final Nelson Airport Limited Statement of Intent.***

**Author: Mike Drummond, Corporate Services Manager, Tasman District Council**

**Attachments**

Attachment 1: A2233882 - Nelson Airport Ltd - Report - Final Statement of Intent 2019-2020 [↓](#)

Attachment 2: A2218625 - Nelson Airport Ltd Statement of Intent 2019-2020 [↓](#)



## **NELSON AIRPORT LTD - FINAL STATEMENT OF INTENT 2019-2020**

**Information Only - No Decision Required**

**Report To:** Joint Shareholders Committee  
**Meeting Date:** 20 August 2019  
**Report Author:** Mike Drummond, Corporate Services Manager  
**Report Number:**

### **1 Summary**

- 1.1 The Nelson Airport Limited (NAL) final Statement of Intent (SOI) (Attachment 1) was received on 1 July 2019 being the first business day after 30 June 2019.
- 1.2 The final SOI has been updated to a more appealing layout. "The Planning Framework" has been updated (page 3) to reflect the outcomes from the March review. There have also been updates to the "Nature and Scope of Activities" section.
- 1.3 The Company will develop a sustainability policy and has included targets in the final SOI (page 7). "Our Plan" on page 9 has been updated for revised targets including increased passenger numbers.
- 1.4 The prospective financial information and projected passenger numbers have been updated in the final SOI. While there are no material changes the updated financials show a slightly weaker financial result, and a modified capital expenditure programme, than set out in the draft SOI. The proposed dividends have remained the same.
- 1.5 The SOI has been checked for compliance with the Local Government Act (LGA) and there are no matters that need to be brought to the Councillors attention.
- 1.6 The staff recommendation is to note receipt of the SOI.

### **2 Draft Resolution**

**That the Joint Shareholders Committee:**

1. receives the Nelson Airport Ltd - Final Statement of Intent 2019-2020 report; and
2. notes the delivery of the Nelson Airport Limited final Statement of Intent 2019/20 (attachment 1) as required under the Local Government Act 2002.
3. agrees to the final Nelson Airport Ltd Statement of Intent 2019/20.

### **3 Purpose of the Report**



Joint Shareholders Committee - 20 August 2019

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**NELSON AIRPORT LTD - FINAL STATEMENT OF INTENT 2019-2020**

- 3.1 To formally acknowledge the receipt and agree to the Nelson Airport Limited final Statement of Intent 2019/20.



**NELSON AIRPORT LTD - FINAL STATEMENT OF INTENT 2019-2020**

**4 Background and Discussion**

- 4.1 At the Joint Committee meeting on 6 November 2018 the shareholders discussed and agreed the matters to be included in the letters of expectation being sent to each Council Controlled Organisation (CCO). This included confirming general expectations for the SOI to include in clause 6.13 information on sustainability including carbon emissions, waste minimisation and renewable energy generation. These were general matters applicable to all CCOs and the expectations for Nelson Airport Limited were formally communicated to their Board in a letter dated 22 November 2018.
- 4.2 These matters were considered by the NAL Board and a draft SOI was received on 28 February 2019. This was considered by the Joint Shareholders Committee at its meeting on 16 April 2019 at which the Chief Executive of NAL was present to answer questions regarding future commercial development, sustainability, long term planning and security.
- 4.3 At the 16 April 2019 meeting, the Committee resolved as follows:  
Resolved JSC/2019/008

***That the Joint Shareholders Committee:***

***Receives the report Nelson Airport Limited - Draft Statement of Intent 2019-2020 (R10050) and its attachment (A2153336); and***

***Provides the following comments and feedback to the Nelson Airport Ltd Board:***

***a) that the Draft Statement of Intent meets the shareholders' expectations.***

Bryant/Canton

Carried

- 4.4 The final SOI includes updated prospective financial statements.
- 4.4 The proposed dividend out to 2021/22 is set out in the Prospective Summary Statement of Cash flows on Page 17 of the SOI. These dividends are the same as forecast in the draft Statement of Intent.
- 4.5 The accounting policies in detail are no longer included in the SOI. Readers of the SOI are directed to the latest Annual Report if they require detailed accounting policies.

**5 Options**

- 5.1 Option 1 (recommended) – to receive and agree the final Statement of Intent.
- 5.2 Option 2 – to not agree to the final Statement of Intent. If the Committee does not agree to the SOI then shareholders must take all practicable steps under Clause 5 of Schedule 8 of the Local Government Act to require the SOI to be modified. Given the efforts NAL have made to respond to the comments and feedback on the draft SOI, this approach is not recommended.



**NELSON AIRPORT LTD - FINAL STATEMENT OF INTENT 2019-2020**

**6 Strategy and Risks**

- 6.1 There is a risk that the relationship between the shareholders, and the shareholders and NAL would be significantly damaged if there is a failure of NAL and both councils to agree on the 2019/20 Statement of Intent.

**7 Policy / Legal Requirements / Plan**

- 7.1 In the past there has been a practice of having the shareholder councils sign the Statement of Intent. This is not required by the LGA. It is sufficient that the Council records by resolution that it has formally received and agree to the SOI. We discontinued the practice of circulating the final SOIs for signatures in 2017.
- 7.2 A Council Controlled Organisation (CCO) must have an SOI that complies with Clauses 9 and 10 of Schedule 8 of the Local Government Act 2002 (LGA).
- 7.3 The Statement of Intent must not be inconsistent with the CCO's constitution.
- 7.4 Draft SOIs must be delivered to the Council on or before 1 March each year.
- 7.5 The LGA Schedule 8(3) requires the Board to consider any comments on the draft SOI that are made to it within two months (1 May 2019) and deliver a completed SOI to shareholders on or before 30 June each year.
- 7.6 S65 (2) of the LGA requires the Council as soon as practicable after receiving a SOI for a CCO to agree to the SOI, or, if it does not agree to take all practicable steps under clause 5 of schedule 8 of the LGA to require the SOI to be modified.
- 7.7 Clause 5 of Schedule 8 to the LGA allows shareholders to impose certain SOI provisions on a CCO. Such a course of action would require both shareholders to agree on the changes to be imposed.
- 7.8 Clause 7 of Schedule 8 to the LGA requires the Board to make a completed SOI available to the public within one month of delivery to shareholders. For statutory compliance the company needs to make the final SOI available to the public via its website from 31 July 2019. This date precedes its consideration by the committee.
- 7.9 The principal objective of a CCO is set out in Section 59 (1) of the LGA.
- 7.10 The Joint Shareholders Committee has delegated authority to ensure that SOIs are prepared and the contents approved.
- 7.11 If agreement with the Board of NAL on the final SOI was not reached, the shareholders would need to consider imposing a modification of the SOI by resolution of the shareholders using their powers under the LGA schedule (8)(5). This would be a last resort approach as it would signal a breakdown in the relationship between the councils and the NAL Board.

**8 Consideration of Financial or Budgetary Implications**

- 8.1 There no financial or budgetary implications in receiving the final SOI. The proposed provision of dividends to shareholders from Nelson Airport Ltd will have already been included in the Annual Plans of each council.

**NELSON AIRPORT LTD - FINAL STATEMENT OF INTENT 2019-2020****9 Significance and Engagement**

9.1 The decision to receive the Nelson Airport Statement of Intent is considered to be of low significance.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	There is interest from a small group within the region. Overall the SOI is of low interest to ratepayers across the region.
Is there a significant impact arising from duration of the effects from the decision?	Low	No
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	No
Does the decision create a substantial change in the level of service provided by Council?	Low	No
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	No change to shareholders' financial position
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	Low	No
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	Low	No
Does the proposal or decision involve Council exiting from or entering into a group of activities?	Low	No

**10 Conclusion**



**NELSON AIRPORT LTD - FINAL STATEMENT OF INTENT 2019-2020**

- 10.1 The SOI has been received. The SOI meets the requirements of the Local Government Act. The staff recommendation is to receive and agree the SOI and refer any matters raised by Councillors for consideration and inclusion in the next SOI (2020/21).

**11 Next Steps / Timeline**

- 11.1 Post the Committee meeting, the company will be advised of the outcome.

**12 Attachments**

Nil



## STATEMENT OF INTENT

2019/2020



A2218625

## INTRODUCTION

This Statement of Intent is presented by the Directors of Nelson Airport Limited ("NAL") in accordance with section 64 of the Local Government Act 2002.

This Statement of Intent is for the 2019/20 Financial Year to 30 June 2020, and for the two following financial years.

The purpose of this document is to publicly state the objectives, activities and intentions of NAL.

NAL acknowledges the Letter of Expectation from Shareholders dated 22<sup>nd</sup> November 2018 and the specific expectations regarding natural hazards/climate change and sustainability. These items, among others, feature in NAL's comprehensive planning cycle which encompasses the strategic plan, the business plan, budgets and financial forecasts.

A full copy of the Statement of Intent is available via the website within 30 days of delivery to Shareholders ([www.nelsonairport.co.nz](http://www.nelsonairport.co.nz)).

NAL is a Council Controlled Trading Organisation under section 6 of the Local Government Act 2002.

## Vision

*To be the best Regional Airport in New Zealand.*

## Mission

*To connect Nelson Tasman to the world and contribute to the economic prosperity of the region*

PLANNING FRAMEWORK

For the financial period 2019 to 2022, the Statement of Intent concentrates on the following:

<p><b>Infrastructure</b></p> <p>Timely investment in high quality and efficient infrastructure that supports airlines and key stakeholders.</p>	<p><b>Financial</b></p> <p>Deliver a financial performance to achieve or better forecasts and compliance.</p>
<p><b>People</b></p> <p>Putting people at the heart of our business.</p>	<p><b>Customers</b></p> <p>Putting customers first and build relationships that enhance the customer experience and business performance.</p>
<p><b>Sustainability</b></p> <p>Develop a policy and a strategy that reflects our commitment to sustainable practices in everything we do.</p>	<p><b>Risk and Compliance</b></p> <p>Risks identified, migrated and managed. NRMP tightly managed to achieve future growth of airport.</p>

NATURE & SCOPE OF ACTIVITIES



NAL was incorporated in 1996 and purchased the assets and undertakings of the Nelson Regional Airport Authority in March 1999.

NAL is a key strategic asset and contributor to the development and growth of the Nelson Tasman economy. Our operations and services deliver significant benefits to the Nelson Tasman region. Its key service is moving people into and out of the region. The number of passengers through the airport is increasing, matching the growth in the region's population and visitor expenditure.

In 2018, over 1 million passengers went through Nelson Airport.

The airport precinct enables air services into and out of the region. It supports about 30 related businesses that service passengers or require access to air services or airport infrastructure.

In 2018, capital and operational activity within the airport precinct contributed \$82.3 million to the region's GDP and employed 1,550 people.

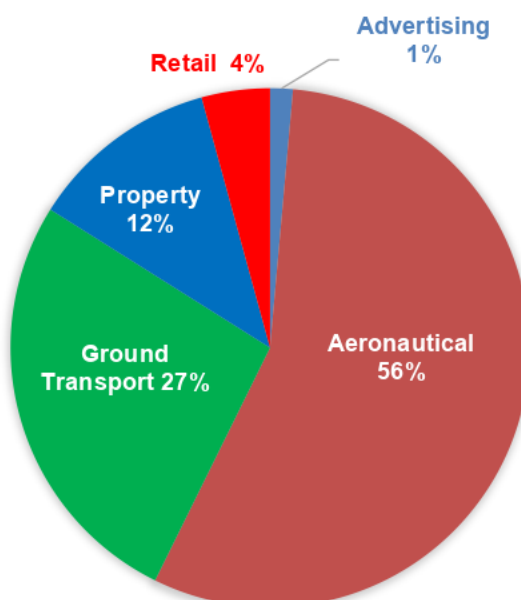
As well as the tangible economic benefits, the airport also has important catalytic effects on the Nelson Tasman region. An efficient, well-connected airport will give an area a competitive advantage.

The airport connects Nelson Tasman to the rest of New Zealand and the world. With increasing dependency on air access and the region's relative isolation, the airport is critical to delivering on the region's development and growth aspirations. In particular, the airport contributes to the:

- attraction and retention of talent
- growth and productivity of business
- resilience of the region and its ability to respond to emergencies

The revenue streams earned reflect the scope of airport activities. The diagram below illustrates a summarised view of the current revenue split, based on the 2018/19 full year forecast.

### 2018/19 REVENUE SPLIT



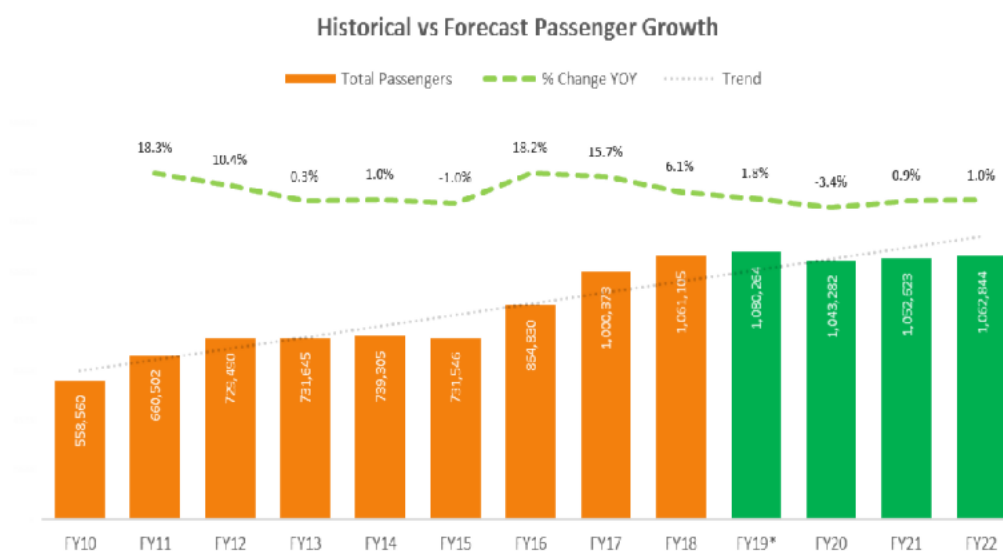
The continuing growth in airline capacity along with the recognition of the value of all the aeronautical assets has supported the actual and forecast growth in aeronautical revenues. Construction of the new terminal is now partially complete, and this provides additional opportunities for the business to maximise non-aeronautical revenues as activity levels through the airport continue to grow.

In addition to passenger related income, NAL generates revenue from the property it controls. NAL may grant sub leases of the land, buildings or installations vested in NAL for any purpose that contributes to the safe and efficient operation of the airport.

The graph below shows the growth in passenger numbers and the current forecast growth.

The passenger forecast has been built using a schedule-based forecasting methodology. This uses the airline's planned schedules, along with historical and estimated load factors applied to enable accurate seasonality profiling. NAL is forecasting a softening of demand and reduced airline capacity for the next financial year based on the following information:

- We forecast that both Jetstar and Air New Zealand reduce their respective peak season capacity schedules to only marginal increases over off-peak schedules
- Air New Zealand has announced a 5% reduction on capacity for Nelson
- A small decline is forecast for passengers in FY20 due to both airlines experiencing operational constraints. Our FY20 target is 1.043m passengers, a 3.4% reduction on FY19
- The schedule picks up again in FY21 slightly, however growth is limited



\* FY 19 figures not finalised at time of publication

## **HEALTH, SAFETY AND RISK MANAGEMENT**

NAL has established and maintains an effective governance framework in accordance with relevant legislation to ensure a thorough Health and Safety Management System and an effective oversight process is in place across the NAL scope of operating activities. The Directors are committed to Health and Safety through effective governance and ensure that NAL works with all people and organisations connected with NAL to ensure we have the appropriate people, systems and equipment to achieve our vision.

NAL needs to have the ability to identify and address key risk areas and the agility to quickly close any gaps through:

- Identifying and understanding the risks that matter
- Investing in managing risks that are mission critical to NAL
- Effectively and continually assessing risks across the whole Company and driving accountability and ownership
- Demonstrating the effectiveness of risk management to workers, customers, management and regulators

Ongoing review and reporting of risks are carried out as follows:

- Key risks are reviewed by management on a regular basis
- Following management review the key risks are presented to the Board for review
- A senior management team member sponsors each identified key risk
- Risk owners lead reviews of the risk ratings with as much objectivity as possible and facilitate a discussion in order to determine how best to manage these risks as low as reasonably practicable
- Enhanced staff awareness of health and safety, combined with robust recording and reporting processes, ensure that any new risks are identified, analysed and managed as they arise

NAL has designed a comprehensive new structured Safety Management System in accordance with Civil Aviation Authority rules. The new Safety Management System will coordinate all health, safety and risk management activities and reporting throughout NAL and the wider airport precinct where NAL has health and safety responsibilities. NAL has obtained approval from the Civil Aviation Authority (CAA) for the implementation plan, which is currently being executed, with full implementation scheduled for completion and CAA audit by August 2020.

## **INFRASTRUCTURE and PROPERTY**

The construction of the new terminal and landside developments is nearing completion with new ground transport infrastructure and car parking completed. Stage A of the new terminal opened for business on 5 October 2018. Stakeholder and customer feedback have been very positive with the completed facilities providing a new and enhanced experience of comfort level, operational efficiency and retail offering. Stage B construction is well underway with final completion and opening planned for October 2019.



Planning will commence for further commercial development identified in the 2035 Master Plan, with an initial focus on the airport entrance and Bolt Road. An imperative element to future commercial development in this area will be the widening of the intersection at the corner of Quarantine Road, Bolt Road and Trent Drive.

Governance and overview of these major projects is given scrutiny by the Project Control Group, comprising senior executives, representatives of our architectural design, costing and project management plus Board representation. This group in turn reports in writing and by attendance at monthly Board meetings on progress and issues in addition to seeking necessary authorisations.

## SUSTAINABILITY

NAL has ensured sustainability was a key consideration throughout the new terminal design and build phases incorporating such features as a timber structure constructed from sustainable local forests and a passive heating/cooling regime incorporating innovative solar chimneys and automatic, natural ventilation of public areas.

Staff have been challenged to ensure sustainability is at the forefront of daily business decisions but more importantly the Strategic Plan recognises sustainability as a *strategic imperative* and outlines the vision to:

*Develop a policy that reflects our commitment to sustainable practices in everything we do.*

NAL's Sustainability Policy proposes the following sustainability targets:

- Carbon neutral operation from FY20 onwards.
- Reduce energy consumption, water consumption and waste to landfill by at least 20% by the end of FY24.

The Policy shapes NAL's ongoing commitment to sustainability and provides a framework within which to develop specific sustainability initiatives. The sustainability policy addresses airport stakeholders, measurement metrics and ongoing reporting of sustainability performance.

## AVIATION SECURITY

NAL is a non-security designated aerodrome under Civil Aviation Rule Part 139. The airport is audited annually by the Civil Aviation Authority and this audit focusses on our compliance against this rule as a Tier 2 airport.

No decisions have been taken by government to implement regional screening at Tier 1 or 2 airports. The Minister has reflected on work undertaken and conversations to date, and has asked The Ministry of Transport to work with airports and airlines to understand the views of the sector on this issue, and the impacts if the government was to require screening for flights between 30 to 90 seats at some point in the future. NAL has been actively engaged in that review.

NAL continues to enhance the Closed-Circuit Television (CCTV) network, running a network of both indoor and outdoor coverage.

All security incidents that occur at the airport are subject to management and Board review.

## OUR PLAN

NAL has developed strategic areas to improve business performance and encourage growth. These strategies are underpinned by a series of activities and key performance indicators.

Strategic Area	Performance Measure	Target
<b>Infrastructure and Property</b>	Commission and officially open new terminal building	October 2019
	Develop a new Air NZ cargo facility and waste management facilities	31 December 2020
	Complete commercial development plan for property expansion	30 September 2019
<b>People</b>	Lost time injuries	Nil
	Continuous improvement in staff engagement, support and well-being programmes	Positive staff feedback, engagement and talent attracted to new roles
<b>Financial Results</b>	EBITDA	\$8.4m
	Total Revenues	\$13.7m
	Capital Expenditure (excluding terminal projects)	\$4.2m
	Dividends declared	\$800k
<b>Customers</b>	Strategic vision and economic contribution to the region understood	Partnerships engaged and investing for the long term
	Passengers numbers	1.043m
	Economic assessment report completed and widely communicated	August 2019
<b>Sustainability</b>	Measure reduction in energy use and waste	April 2020
	Business Case completed for alternative energy sources	April 2020
<b>Risk and Compliance</b>	Compliance with Civil Aviation Authority and the Airport Operator Certificate	No Audit findings
	Compliance with Audit standards	Unmodified audit opinion
	Complete noise management strategy	September 2019

**MEDIUM TERM MILESTONES & ACTIVITIES****2020/21-2021/22**

<b>Strategy</b>	<b>Activity / Milestone</b>
<b>Customers</b>	Consult on revised aeronautical charges schedule by 30 June 2021
	> 1,062,000 passengers pa by June 2022
	Work closely with Air NZ under a new service agreement to support passenger growth to the region
<b>Infrastructure</b>	New cargo facility developed for Air NZ
	Upgrade to Air NZ Hanger 2
	Rental car facilities developed
<b>Financial</b>	Total Revenues pa \$14.5m by June 2021
	EBITDA pa \$9m by June 2021
	Bolt Road developments commenced by June 2020
<b>Risk and Compliance</b>	Safety Management System approved by CAA and fully implemented within the business by 1 February 2021
	Safety culture firmly embedded throughout NAL
	No CAA findings from Audits
<b>People</b>	Best practice training & development policy in place and delivering enhanced organisational capability
	A place where people want to work
	An ongoing staff Health and Wellbeing programme established with good engagement from staff
<b>Sustainability</b>	Sustainability best practice well embodied in culture
	Carbon neutral operation from FY20 onwards
	Green Lease schedules included in all new tenant leasing

Note that the financial targets included in the tables above are consistent with the Prospective Summary Financial Statements provided in this document.

## GOVERNANCE

The Board's approach to governance of NAL is to preserve and enhance Shareholder value in the long term.

The Board is responsible for the strategic direction and oversight of NAL and is accountable to the Shareholders within the framework provided by the constitution of NAL, the provisions of the Companies Act 1993 and The Local Government Act 2002.

The Board must:

- Ensure NAL meets its objectives as defined in this Statement of Intent
- Ensure NAL complies with its legal obligations
- Make any decisions as to policy that is not the preserve of general management and day to day administration
- Employ the Chief Executive including entering into a performance management agreement, reviewing performance and setting remuneration
- Ensure sound financial management of NAL
- Ensure NAL meets all health and safety obligations

The Board consists of five, non-executive Directors appointed by the Shareholders in accordance with the Constitution.

The Board meets at least eleven times per year. The individual Directors' attendance record is maintained and reported in the Annual Report.

NAL employs sound financial management and systems providing monthly reports to the Board on monthly and year-to-date performance. The Board also receives a Chief Executive's Report at each Board Meeting which addresses issues related to NAL's performance against its objectives. All Directors will use their best endeavours to ensure NAL achieves the objectives as defined in this document and will comply with the requirements of its constitution and this Statement of Intent.

Governance over the major development projects is given scrutiny by the Project Control Group on which the Board has a permanent presence. The Project Control Group reports back to the Board at each Board meeting.

All Board Members comply with the New Zealand Institute of Directors' Code of Proper Practice for Directors.

Fees for the Board are set by the Shareholders in accordance with a policy jointly approved by Nelson City Council and Tasman District Council.

## THE VALUE OF SHAREHOLDERS INVESTMENT IN NAL

The Directors assessment of the value of the Shareholders investment in NAL is \$65.8m. This value is the value of Total Shareholders' Funds at the conclusion of the six-month period to December 2018. The fair value of assets is supported by registered valuations of land, buildings, infrastructure and the leasehold interest in the aerodrome land by independent registered valuers as required.

A reassessment of the value of the Shareholders investment in NAL will be undertaken as required from time to time by the Shareholders or Directors

## INFORMATION TO BE PROVIDED TO SHAREHOLDERS

### GENERAL

NAL operates on a 'no surprises' basis in respect of significant Shareholder-related matters, especially on matters likely to cause community or political concerns, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

### HALF-YEARLY REPORT

- To be delivered to Shareholders by 28<sup>th</sup> February.

The half-yearly report will include:

- A Directors' report which includes commentary on NAL's operations and performance against non-financial performance measures;
- A condensed Statement of Comprehensive Income;
- A condensed Statement of Changes in Equity;
- A condensed Statement of Financial Position;
- A condensed Statement of Cash Flows;
- Appropriate Notes to the condensed Financial Statements.

The half-yearly report will be published on NAL's website following delivery to Shareholders.

When presenting the half-yearly report the Board will indicate any significant movement expected in the final year-end position.

### **STATEMENT OF INTENT**

- Draft to be delivered to Shareholders by 1<sup>st</sup> March
- Comments from Shareholders on draft Statement of Intent, if any, to be provided to NAL by 1<sup>st</sup> May
- Completed Statement of Intent to be delivered to Shareholders by 30<sup>th</sup> June after consideration of any Shareholder comments
- Completed Statement of Intent to be made available to the public within one month of delivery to Shareholders

The Statement of Intent will contain prospective financial information in the form of forecasts for the current year and following two years. The financial forecasts will include; a summary Statement of Comprehensive Income; Statement of Financial Position; Cashflow Statement; Earnings Before Interest and Tax (EBIT); Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA); Debt to Equity Ratio; Working Capital; Capital Expenditure; Return on Equity; and Ratio of Shareholders' Funds to Total Assets.

### **ANNUAL REPORT**

- To be delivered to Shareholders by 30<sup>th</sup> September and not less than 20 working days before the date fixed for holding the Annual Shareholders' Meeting;
- To be made available to the public by 30<sup>th</sup> September.

Within three months after the end of the financial year the Board will deliver an audited Annual Report which fulfils the requirements of the local Government Act 2002 and prepared to comply with the requirements of the Financial Reporting Act 2013.

The Annual Report will include:

- A Directors' Report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend
- A Statement of Comprehensive Income disclosing actual and budgeted revenue and expenditure and comparative actual figures from the previous year
- A Statement of Changes in Equity with actuals and comparative figures from the previous year
- A Statement of Financial Position with actuals and comparative figures from the previous year

- A Statement of Cash Flows with actuals and comparative figures from the previous year
- An Auditor's Report on the above statements and the measure of performance in relation to objectives

#### **ANNUAL SHAREHOLDERS' MEETING**

- Annual Shareholders' Meeting to be held by 31<sup>st</sup> December;
- Annual Report to be delivered to Shareholders not less than 20 working days prior to the Annual Shareholders' Meeting;
- Written Notice of Meeting to be delivered by not less than ten working days before the meeting.

Written notice of the time and place of a meeting of Shareholders' will be sent to every Shareholder and to every Director and Auditor of NAL not less than ten working days before the meeting. The notice must be in accordance with the requirements of Schedule 1 of the Companies Act 1993.

## PROSPECTIVE SUMMARY FINANCIAL STATEMENTS

NAL adopts General Purpose Financial Reporting utilising the revaluation model based on the accounting concept of Fair Value. The Prospective Summary Financial Statements have been prepared utilising the concept of Fair Value.

Aeronautical charges form approximately half of NAL's revenues. Aeronautical charges were reset by NAL for a five-year period effective from 1 July 2016, following a thorough consultation process with major customers. As per the agreement with airlines the aeronautical charges are updated to reflect the actual cost and configuration of the new terminal development infrastructure.

The estimated final construction costs for the new terminal and related projects are reflected in the prospective financial statements and are based on actuals to date as well as detailed estimates provided by independent quantity surveyors.

2018/19 figures have been provided for comparison purposes and are provisional, being based on recent forecasts.

NAL has secured a \$40m commercial loan facility from Westpac, the terms of which have been agreed between the parties. A portion of the interest cost of the facility is floating and a portfolio of interest rate swaps has been secured to mitigate interest rate risk. The level of swaps put in place is to cover approximately half of the forecast debt over the period to March 2025.

## PROSPECTIVE FINANCIAL STATEMENTS

### Prospective Summary Statement of Comprehensive Income (\$ million)

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
<b>Total Revenues</b>	11.8	13.8	14.6	15.4
Total Operating Expenses	4.6	5.3	5.7	5.8
EBITDA before Other Income/Expenses	7.1	8.5	8.8	9.6
Depreciation and Amortisation	2.3	3.4	4.1	4.1
Finance Expense / (Income)	0.2	0.8	1.4	1.4
Profit before Income Tax	4.5	4.2	3.4	4.1
Income Tax	1.5	1.3	1.3	1.5
Net Profit after Income Tax	3.0	2.9	2.1	2.6

#### Notes

Stage B of the new terminal assumed to open October 2019.

**Prospective Summary Statement of Capital Expenditure**  
(\$ million)

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
<b>Capital Expenditure Forecast</b>			
Terminal and Landside Development Projects	7.8	0.0	0.0
Aprons, Taxiways and Runway	1.2	3.0	0.0
Landside Roading	0.3	0.8	0.5
Commercial Developments	1.4	2.8	1.2
Security and Rescue Fire Service	0.2	1.5	0.2
Other Capital Expenditure	0.8	0.1	0.1
	<u>11.6</u>	<u>8.1</u>	<u>1.9</u>

**Prospective Summary Statement of Financial Position**  
As at year end  
(\$ million)

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
<b><u>Assets</u></b>			
Current Assets	1.7	1.8	1.9
Property, Plant & Equipment	111.5	115.8	113.6
Intangible Assets	0.2	0.2	0.2
<b>Total Assets</b>	<u>113.4</u>	<u>117.8</u>	<u>115.7</u>
<b><u>Liabilities</u></b>			
Current Liabilities	2.8	2.9	3.0
Total Loan Finance	35.7	38.8	35.0
Total Other Non-current Liabilities	6.1	6.0	5.9
<b>Total Liabilities</b>	<u>44.6</u>	<u>47.7</u>	<u>43.9</u>
<b><u>Total Net Assets</u></b>	<u>68.9</u>	<u>70.1</u>	<u>71.8</u>
<b><u>Total Equity</u></b>	<u>68.9</u>	<u>70.1</u>	<u>71.8</u>

**Prospective Key Ratios and Indicators**

As at year end

	<u>Note</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Working Capital (\$ x 1,000,000)	1	(1.0)	(1.1)	(1.1)
Working Capital Ratio	2	0.6	0.6	0.6
Return on Equity	3	6.1%	4.8%	5.7%
Shareholders Funds to Total Assets Ratio	4	0.6	0.6	0.6
Debt to Equity Ratio	5	0.5	0.6	0.5
Leverage Ratio	6	4.7	4.9	4.0

**Notes**

- Working Capital = (Current Assets - Current Liabilities)  
Cash balances will be maintained at minimal levels whilst the MOCL finance facility remains active.
- Working Capital Ratio = (Current Assets / Current Liabilities)  
Cash balances will be maintained at minimal levels whilst the MOCL finance facility remains active.
- Return on Equity = (Net Profit before Tax / Total Shareholders' Equity)
- Shareholders Funds to Total Assets Ratio = (Total Shareholders' Equity / Total Assets)
- Debt to Equity Ratio = (Total third-party debt at year end / Total Shareholders' Equity)
- Leverage Ratio = (Total third-party debt at year end / (EBITDA-Dividend) before other Income/Expenses)

**Prospective Summary Statement of Cashflows**

(\$ million)

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Cash Opening Balance	0.6	0.1	0.2
<b>Cash In</b>			
Cash from Operations	15.8	16.7	17.7
Cash drawn from Loan Facility	7.7	3.1	(3.8)
<b>Total Cash Inflows</b>	23.5	19.8	13.9
<b>Cash Out</b>			
Operational Expenses	5.8	6.3	6.5
Income Tax Paid	1.3	1.3	1.5
Dividends	0.80	0.82	0.84
Capital Expenditure	15.4	9.4	2.3
GST Paid/(Received)	(0.8)	0.4	1.4
Loan Repayments	1.0	1.6	1.5
<b>Total Cash Outflows</b>	23.6	19.8	13.9
Cash Closing Balance	0.4	0.1	0.1

**Notes**

Cash balances will be maintained at minimal levels whilst the MOCL finance facility remains active.

## **ACCOUNTING POLICIES**

NAL Limited reports financially under the new Accounting Standards Framework implemented by the Financial Accounting External Reporting Board to effect changes enacted by the new Financial Reporting Act 2013. For financial reporting purposes NAL is a “for-profit public sector entity”. By virtue of the size of the business and by election NAL reports under the “Reduced Disclosure Regime” to “Tier 2” requirements.

From the 2015/16 financial year NAL has undertaken General Purpose Financial Reporting utilising the revaluation model based on the accounting concept of Fair Value. Significant valuation work was undertaken towards this end and underpins the reporting of Property, Infrastructure and Leasehold Interest at fair value.

NAL regularly reports internally on a monthly accounting cycle with actuals for the Balance Sheet and Income Statement being presented to management and the Board monthly. Progress against budgets and forecasts is regularly monitored internally and reported against.

The reporting entity for accounting and financial reporting purposes is NAL Limited. NAL has a balance date of 30<sup>th</sup> June.

Accounting policies are set out in detail in NAL's Annual Report.

## **DIVIDEND POLICY**

NAL will use its best endeavours to pay an annual ordinary cash dividend to Shareholders that is both higher than that declared in the previous financial year and is at a level that delivers an annual growth rate of higher than the Consumer Price Index for the last published annual period.

## **PROCEDURE FOR ACQUISITION OF OTHER INTERESTS**

If the Directors believe that NAL should invest in or otherwise acquire any interest in any other organisation, they will obtain the prior approval of the Shareholders by special resolution, unless the total cost is less than \$50,000. In this case prior approval will not be required, but Shareholders will be advised in writing within 14 days.

## **COMPENSATION FROM LOCAL AUTHORITIES**

There is no indication of any matter or activities for which NAL may seek compensation from any Local Authority.