

Joint Venture Airports: Clarification of expectations

1. The roles and responsibilities of the Crown and District Councils	
Councils	<p>Responsible, under the Joint Venture Deed, for the general management, administration and maintenance of the Airport. Councils will therefore establish an appropriate governance structure to ensure Joint Venture Airports are operated cost-effectively and appropriate for the communities they serve.</p> <p>Responsible for Airport's compliance with all relevant legislation, including health and safety.</p> <p>Responsible for regular review and development of landing charges and submitting proposals for the Minister to set.</p> <p>Responsible for collecting landing charges.</p> <p>In general, manage the Airport's relationship with its users.</p>
Minister of Transport (the Minister)	<p>Protects the Crown's interests and investment in Joint Venture Airports for the New Zealand public.</p> <p>Sets Joint Venture Airport landing charges. Before doing so, the Minister must be assured by officials that each Airport's charging proposals meet acceptable standards.</p>
Ministry of Transport (the Ministry)	<p>Advise the Minister on all issues relating to Airports that might affect the Crown's interest including consents, approvals and setting of landing charges.</p> <p>Advise Councils and Airport managers on relevant processes and requirements.</p> <p>Review landing charges proposals and advise the Minister on the setting of the charges.</p>

2. Information to be submitted to the Ministry	
Drafts of key documents	<p>Councils should submit to Ministry officials the following draft documents for review within a reasonable time:</p> <ul style="list-style-type: none"> • Draft Annual Financial Statement. • Draft Statement of Intent. • Relevant strategic planning documents including the Airport Master Plan or 10 year Plan. <p>A copy of the final version of the above documents once accepted by Council should also be forwarded to the Ministry for their records.</p>
Information to be forwarded to the Ministry	<p>The Crown entrusts operation of Airports to Councils, however, its expects that significant issues will be reported to the Ministry.</p> <p>It is expected that the Ministry will receive advance notice of issues that will have a material impact on the operation of the Airport or might prove contentious and/or pose a risk to the Crown interests.</p>

3. Audit

As a partner in the Airport, the Crown has an interest in the findings of the annual audit.

Officials will continue to liaise with the Office of the Auditor-General regarding the generic audit brief for Joint Venture Airports.

The letter of engagement is to include a requirement to review the Crown's and Council's interests and report any issues that may have a direct impact on the respective values.

The Crown will receive a copy of the audit report within 30 days of being signed.

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4. Annual appropriation	
Intention of the appropriation	<p>The Ministry receives an annual appropriation for the Joint Venture Airports. It is provided with an intention to allowing the Crown to contribute to the continuation of Joint Venture Airports, enabling air travel to regional centres.</p> <p>The appropriation is limited to enhancements to Joint Venture terminals, facilities and runways and the Crown's share of operating losses.</p>
Capital expenditure approval process	<p>Where possible, capital expenditure should be financed from existing Airport reserves.</p> <p>All proposals put to Councils that involve the use of more than \$5,000 of the Crown share of Airport reserves must also be submitted for Crown approval.</p> <p>The Chief Executive of the Ministry of Transport has delegated authority to approve expenditure from the Crown share of Airport reserves of up to \$300,000.</p> <p>Applications for use of over \$300,000 of the Crown share of Airport reserves must be submitted for the Minister of Transport's approval.</p>
Strategic capital expenditure planning	<p>In order to effectively manage the appropriation for Joint Venture Airports, the Ministry expects Airports to notify it of their expected capital expenditure and potential operating losses for the following three years at the time of submitting the draft Statement of Intent.</p>
Information to be forwarded to the Ministry for approval	<p>We would expect the required information to be covered by proposals put to Council or the Airport governance body. Submissions to Council will need to include the following:</p> <ul style="list-style-type: none"> • Description of the specific problem that proposed capital expenditure will address. For major projects this should be supported by technical reports by external consultants (also see 'business cases' below). • Outline of the options considered for addressing the problem and the criteria for selecting the preferred option. Criteria may refer to cost effectiveness, compliance with safety and security legislation, environmental issues. • Cost projections (as accurate as possible). • A project timeline.
Funding operational losses	<p>The Crown expects best efforts by Councils to achieve financial sustainability at the Airports, however will consider funding operational losses on a case-by-case basis.</p> <p>Where operational losses are an ongoing issue, the Crown expects Airports to plan a return to surplus in order to fund ongoing capital expenditure needs.</p>
Approval process requiring a new appropriation	<p>Where an Airport requires capital investment that cannot be financed either from existing reserves or from the existing appropriation, a new bid for budget funding may have to be made.</p>

5. Requirement for business cases	
Information to be forwarded to the Ministry of Transport	<p>If Airports plan new business developments that require funding from the Crown reserves or additional investment by the Crown, in most instances a business case will need to be submitted to the Ministry.</p> <p>In developing business cases the Ministry expects Councils to reference The Treasury's 'Better Business Case' model.</p>
Crown funding criteria	<p>The project should be directly related to the Airport's purpose as outlined in the Deed.</p> <p>Ministry officials will advise on the above criteria in relation to each proposal.</p> <p>It is possible for proposals that do not meet Crown investment criteria to be fully funded by Councils who would then be entitled to the associated net income.</p>

6. Landing charges review	
Councils	<p>Regular reviews of landing charges by Councils will assist in maintaining fair and reasonable landing charges for Airport owners and users.</p> <p>All landing charges proposals must be submitted to the Ministry. They must include the following information:</p> <ul style="list-style-type: none"> • The methodology used in developing the proposal. • The outcomes of consultation process with Airport users. • The way the consultation is reflected in the final proposal. • A schedule of charges that meets Crown requirements for presentation of public sector charges (see Treasury and Office of Auditor-General Guidelines).