
Economic Development Committee

OPEN MINUTES

Minutes of a meeting of the Economic Development Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 10 March 2020 at 9.34am.

PRESENT

Chairperson	Cr Ryan Hamilton
Deputy Chairperson	Cr Ewan Wilson
Members	Deputy Mayor Taylor
	Cr Martin Gallagher
	Cr Rob Pascoe
	Cr Maxine van Oosten
	Maangai Olly Te Ua
	Maangai Te Pora Thompson-Evans
	Mayor Paula Southgate

In Attendance:	Cr Sarah Thomson
	Cr Dave Macpherson
	Jen Baird – General Manager City Growth
	Sean Murray – General Manager Venues, Tourism and Major Events
	David Bryant – General Manager Corporate
	Eeva-Liisa Wright – General Manager infrastructure Operations
	Sean Hickey – General Manager Strategy and Communications
	Blair Bowcott – Executive Director Special Projects
	Tracey Musty – Financial Controller
	James Clark - Director Mayor's Office

Governance Staff:	Amy Viggers – Governance Team Leader
	Carmen Fortin and Rebecca Watson – Governance Advisors

1. Apologies

Resolved: (Cr Hamilton/Cr Wilson)

That the apologies for absence from Cr Forsyth and Cr O'Leary, for Partial attendance from Cr Thomson for lateness from Cr Gallagher are accepted.

2. Confirmation of Agenda

Resolved: (Cr Hamilton/Cr Wilson)

That the agenda is confirmed noting the following:

- a) The order of items will be flexible to accommodate external presenters;
 - i. item 6 (Waikato Local Authority Shared Services Statement of Intent 2020/21 and Half Year Report 31) to be taken at 9.45am;
 - ii. item 7 (Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd combined Statement of Intent) to be taken at 10.15am;
 - iii. item 8 (Waikato Regional Airport Limited Year End Report to 30 June 2019, Half

Year Report 31 December 2019 and Draft Statement of Intent 2020/21) to be taken at 11.15am;

- iv. item 9 (Hamilton and Waikato Tourism Limited – Six-Monthly Report to December 2019) to be taken at 12.00pm;
- v. item 12 (Te Waka Six-Monthly Update) to be taken at 1.15pm;
- vi. item 10 (New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019) to be taken at 2.00pm;
- vii. item 13 (Hamilton Central Business Association - Six-Monthly Update) to be taken at 2.45pm;
- b) that the late item C3 (H3 Activity report Verbal Update) be accepted; and
- c) that item C2 (Letter of Expectation – Waikato Regional Airports Limited) be moved to the open session of the meeting. The report is attached to the minutes as **appendix 1**.

3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

4. Public Forum

No member of the public wished to speak.

5. Economic Development Committee Chairs Report - 10 March 2020

Resolved: (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the report.

6. Waikato Local Authority Shared Services Statement of Intent 2020/21 and Half Year Report 31 December 2019

Resolved: (Cr Bunting/Maangai Thompson-Evans)

That the Economic Development Committee:

- a) receives the report; and
- b) approves the Waikato Local Authority Shared Services Ltd Draft Statement of Intent 2020/21.

7. Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd combined Statement of Intent 2020/21 and Half Year Report 31 December 2019

Resolved: (Cr Wilson/Mayor Southgate)

That the Economic Development Committee:

- a) receives the report; and
- b) approves the Waikato Innovation Group Ltd and Group of Companies Draft Statement of Intent 2020/21.

8. Waikato Regional Airport Limited Year End Report to 30 June 2019, Half Year Report 31 December 2019 and Draft Statement of Intent 2020/21

Resolved: (Cr Wilson/Cr Bunting)

That the Economic Development Committee receives the report.

The meeting adjourned 11.24am to 11.53am.

9. Hamilton and Waikato Tourism Limited - Six-Monthly Report to December 2019

Staff Action: *Staff undertook to update Members concerning discussions on a potential bed tax or visitor levy via future Hamilton and Waikato Tourism Limited reports.*

Resolved: (Cr Bunting/ Cr Gallagher)

That the Economic Development Committee receives the report.

Following item 9 (Hamilton and Waikato Tourism Limited - Six-Monthly Report to December 2019) item C2 (Letter of Expectation - Waikato Regional Airport Limited) was taken to accommodate availability.

C2. Letter of Expectation - Waikato Regional Airport Limited

Resolved: (Cr Wilson/Cr Hamilton)

That the Economic Development Committee:

- a) receives the draft Waikato Regional Airport Limited (WRAL) draft Statement of Intent 2020/21;
- b) approves the Letter of Expectation for the purpose of further consultation with the WRAL shareholding Councils and the WRAL Board;
- c) requests the CE, the Mayor and a delegate of the Economic Development Committee consults with other shareholding Councils on the Letter of Expectation to seek a consensus;
- d) requests staff report back to the 30 April 2020 Council meeting with the feedback on the Letter of Expectation for final approval;
- e) notes that the final letter of expectation must be received by WRAL no later than the 31 May 2020; and
- f) requests the final Waikato Regional Airport Limited (WRAL) Statement of Intent 2020/21 be circulated to Members once approved by the WRAL Board.

Following item C2 (Letter of Expectation - Waikato Regional Airport Limited) item 12 (Te Waka Six-Monthly Update) was taken to accommodate availability.

10. Te Waka Six-Monthly Update

Resolved: (Cr Hamilton/Maangai Te Ua)

That the Economic Development Committee receives the report.

The meeting adjourned 1.42pm to 2.30pm.

Mayor Southgate, Deputy Mayor Taylor, and Cr Wilson left the meeting during the above adjournment.

11. New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019 (Recommendation to Council)

Resolved: (Cr Pascoe/Cr van Oosten)

That the Economic Development Committee:

- a) receives the report;
- b) approves the New Zealand Local Government Funding Agency Draft Statement of Intent 2020/21; and

- c) recommends that the Council approves future New Zealand Local Government Funding Agency reports be directed to the Finance Committee.

Cr Wilson re-joined the meeting (2.37pm) during the discussion of the above item. He was present when the matter was voted on.

Following item 10 (New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019) item 13 (Hamilton Central Business Association - Six-Monthly Update) was taken to accommodate availability.

12. Hamilton Central Business Association - Six-Monthly Update

Resolved: (Cr Bunting/Mayor Southgate)

That the Economic Development Committee receives the report.

Mayor Southgate re-joined the meeting (2.44pm) during the discussion of the above item. She was present when the matter was voted on.

Deputy Mayor Taylor re-joined the meeting (3.39pm) during the discussion of the above item. He was present when the matter was voted on.

13. Civic Financial Services Limited Statement of Intent 31 December 2020

Resolved: (Cr Pascoe/Maangai Thompson-Evans)

That the Economic Development Committee:

- a) receives the report; and
- b) approves the Civic Financial Services Limited Draft Statement of Intent 31 December 2020.

14. General Manager's Report

Resolved: (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives this report.

15. Draft Schedule of Reports 2020

Resolved: (Cr Hamilton/Cr Macpherson)

That the Economic Development Committee:

- a) receives the draft 2020 Schedule of Reports; and
- b) notes that the Schedule of Reports is intended to be a living document that will be updated as necessary and will be made available to Elected Members and Maangai Maaori on Diligent.

16. H3 Activity Report - 1 July to 31 December 2019

Resolved: (Cr Hamilton/Maangai Te Ua)

That the Economic Development Committee receives the report.

17. Resolution to Exclude the Public

Resolved: (Cr Wilson/Deputy Mayor Taylor)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

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 follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Appointment of Directors - Waikato Regional Airport Limited) Good reason to withhold) information exists under) Section 7 Local Government Official Information and) Meetings Act 1987	Section 48(1)(a)
C3. H3 Activity Report – Verbal Report		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to protect the privacy of natural persons	Section 7 (2) (a)
	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The meeting went into a Public Excluded session at 4.14pm.

The meeting was declared closed at 4.55pm.

Council Report

Committee: Economic Development Committee

Date: 10 March 2020

Author: Sean Murray

Authoriser: Sean Murray

Position: General Manager Venues, Tourism and Major Events

Position: General Manager Venues, Tourism and Major Events

Report Name: Letter of Expectation - Waikato Regional Airport Limited

Report Status

This report is taken as a publicly excluded item to protect the privacy of natural persons; AND to enable Council to carry out commercial activities without disadvantage; AND to enable Council to carry out negotiations.

Purpose

1. To seek approval from the Economic Development Committee of the Shareholding Council's Letter of Expectation for Waikato Regional Airport Limited (WRAL).

Staff Recommendation

2. That the Economic Development Committee;
 - a) receives the report; and
 - b) approves the Letter of Expectation be sent to the WRAL Board, to be signed by the Chief Executive and other shareholding Councils.

Background

3. WRAL operates as a limited liability company, with the following shareholders:

Council	Shareholding
Hamilton City Council	50.00%
Matamata-Piako District Council	15.63%
Waikato District Council	15.63%
Waipa District Council	15.63%
Otorohanga District Council	3.13%

4. The Directors of the WRAL Board are accountable to their shareholders and are required to act in the best interests of the company. The company constitution guides the rules and relationship between the company activities and its shareholders.

5. The Accountability Process is as follows:
 - i. *The terms as laid out by the company **Constitution**.*
 - ii. *Shareholder **letter of expectation** (strategic, governance, accountability, performance)*
 - iii. *Company **statement of intent (SOI)** following shareholder feedback*
 - iv. *Company **Annual Report** (presentation to each Council)*
 - v. *Company **AGM** (represented by Mayor and CE)*
 - vi. *Company **Half Year Report** (presentation to each Council)*
 - vii. *And/or as **special circumstances** dictate.*
6. This paper relates to the letter of expectation element of the accountability process. The last letter of expectation was issued to the WRAL Board in December 2015. A reassessment of this letter is now required.

Proposed Changes

7. The revised draft letter of expectations remains largely consistent with the 2015 letter but with three exceptions. They are listed below:

Shareholding

8. WRAL is viewed as a highly strategic asset for the city and region. However, Council would consider a change to its shareholding status should the opportunity arise, to either increase or decrease its stake depending on the right circumstances.
9. This is a signal and does not suggest any intended action at this point. It does suggest a flexible approach should a strong case to do either present itself to Council. It should be noted that any transaction of company shares would be subject to the company constitution with pre-emptive rights held for all shareholders and the approval of any proposed transaction by all shareholders.

The Auckland to Hamilton Corridor Plan – H2A

10. This is a specific request that the airport company management and WRAL Board specifically engage in this initiative alongside Central Government, NZTA and the Auckland, Waikato, Hamilton and Waipa Councils. This is a critical initiative which the airport has a strong role and interest.

Proactive engagement in securing new international air service opportunities

11. Previously WRAL has been asked by its shareholders to protect its strategic interests and capability to secure international air services to/from Hamilton and the Waikato in the medium to longer term.
12. The proposed change of emphasis in the revised letter of expectation is for the WRAL Board and airport company management to move to a proactive near-term approach to encourage international air services.

Legal and Policy Considerations

13. Staff confirm that the recommendations in this report complies with the Council's legal and policy requirements.

Wellbeing Considerations

14. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
15. The subject matter of this report has been evaluated in terms of the 4 wellbeings. The recommendations set out in this report are consistent with that purpose.

16. WRAL's activity relates strongly to the Economic wellbeing by its delivery of key objectives to operate an efficient and compliant airport, maximised revenue through diversification to protect the core aeronautical business and enhanced tourism growth within the region.

Risks

17. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy

Significance

18. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

19. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - HCC Letter of Expectation to WRAL - March 2020

10 March 2020

Mr Barry Harris
Chair
Waikato Regional Airport Limited
Hamilton Airport Road, RD2
HAMILTON 3282

Dear Barry

Letter of Expectation (2020/21) for:

- **Waikato Regional Airport Limited and its subsidiaries**

This letter sets out Hamilton City Council's (HCC) expectations of Waikato Regional Airport Limited (WRAL) and its subsidiaries for consideration in WRAL's business planning and the development of its 2020/21 Statement of Intent (SOI). HCC expects the Board of WRAL to do everything possible to pursue the best interest of the company across all elements of the business but do so with a full understanding of the much broader strategic interests of its shareholders.

1. Statement of Intent

In accordance with the Local Government Act 2002, HCC expects the Board of WRAL to submit its Statement of Intent (SOI) in advance of the next financial year. Council reviews all WRAL reports and accountability documents and we request that your draft SOI 2020/21 be provided as early as possible, and no later than 31 March 2020.

In developing the SOI, HCC welcomes discussion on the content of this letter and the Board's views on its priorities in drafting your annual SOI for the coming year and beyond.

HCC expects this Letter of Expectation (LOE) to give the Board a clear sense of WRAL's business' purpose, strategic direction and its business outcomes. HCC expects the Board to accept and understand its powers, responsibilities and obligations as placed upon it by its shareholders.

2. Principle of good governance relationships with shareholders, information flows and no surprises

As a local government entity largely funded by ratepayers, HCC, as shareholder, can face more rigorous scrutiny in the conduct of its business and performance of its investments than private shareholders.

It is vital the Board of WRAL directly or through its Executive team keeps shareholder(s) fully informed on matters material to the business and or of public interest.

Where there are commercial sensitivities involved WRAL should communicate directly with the Chief Executive of HCC and can have total confidence that those matters will be handled appropriately and in confidence by HCC.

Board members should be aware of the major transaction thresholds that apply for the company and each subsidiary. These may be set out in the shareholder agreement or the constitution, rather than solely in the Companies Act.

Appendix 1

In summary:

- Major transactions should be signaled via the SOL and identified as such.
Approval of a SOL is not approval of a major transaction by the shareholder.
Or
Through special advice and request for resolution dependent upon timing.
- HCC staff will engage with you to assist in preparing necessary reports for HCC to facilitate consideration by Elected Members.
- Adequate time should be allowed for HCC approval, once your board approves the transaction for presentation to the Shareholder, prior to signing contracts for the transaction.

As a minimum each SOL must clearly state the definition of a major transaction for the company and whether there are major transactions planned during the SOL period.

HCC takes health and safety matters seriously. To ensure that HCC and the group as a whole are adequately addressing health and safety risks, the draft SOL should outline how the Board manage and monitor health and safety risks.

3. HCC Shareholding

HCC remains a 50% shareholder of WRAL. HCC would always consider increasing its shareholding in the business. However at the same time should an opportunity arise for a new investor to take a stake in the airport with a strong strategic fit and common aspiration for the business HCC would consider a reduction of its shares assuming there is no detrimental impact to the business or the interests of Hamilton city and the region.

4. Consistency with wider objectives of HCC

It is important that the Board and Executive of WRAL be familiar with the relevant strategies and policies of HCC that have a bearing on the WRAL operation.

Section 59 of the Local Government Act sets out the principle objectives of a Council Controlled Organisation (CCO). HCC set's out its own objectives, in accordance with s59 (1) (a), in the Hamilton Plan and this should be considered when developing the SOL.

- **Location consideration-** although WRAL is not located within HCC's territorial boundaries, HCC has a strong interest in the ongoing development of land use in and around the airport operation and its implications for future core infrastructure provision and land use planning. Given its strong relationship with the Waipa District Council (where the WRAL resides) and other local and central government planning collaborations, the Board should keep HCC fully informed on matters to do with land use and major infrastructure planning requirements.
- **The Hamilton – Auckland Corridor Plan H2A –** HCC also specifically requests that the WRAL Board and Management through its management team engage fully with the Hamilton – Auckland Corridor Plan initiative. This is a partnership between Central Government, NZTA and the Auckland, Waikato, Hamilton and Waipa Councils. This is a critical initiative to secure a long-term plan for this rapid growth corridor. The Hamilton Airport must fully engage with this initiative in sharing its input and expertise and to ensure that its strategic interests are fully considered a part of the plan.
- **An economic enabler** - HCC sees its investment in WRAL providing vital infrastructure and services to foster business activity and economic growth. This aligns with HCC's broader infrastructure investments that have a material impact upon the city's and surrounding region's economic activity. HCC expects the Board to fully recognize WRAL's role as a business

enabler for the city and region and report on those initiatives and outcomes where it has played a role in facilitating new business opportunities.

5. HCC Aspirations for WRAL

HCC also considers the following specific objectives and aspirations apply:

- Core operation- operate in full accordance with the terms of its operating licenses and conditions as per relevant statutory requirements.
- Maximize returns- prudently manage the business to maximize the returns on investment, enabling the Board to maintain and sustain a healthy balance sheet, a profitable trading position and be able to fund future renewals and growth activity.
- Payment of Dividends- Subject to Board strategy, HCC expects a dividend from its investment in WRAL if possible and sustainable. Where no dividend is paid, HCC expects any trading surpluses to be invested back into the business or to offset debt at the Board's direction. This will be a matter for ongoing review.
- Diversification of revenue- the Board should preserve its capacity to diversify its business base, particularly through its property interests, that will add value to the WRAL operation. The Board should continue to operate and grow aviation services, regional commuter and freight services, and flight training activities.
- International Airport - The Board should protect, as best it can, the airports "international" designation and medium to long-term opportunity to extend its runway capability and continue to serve international landings where it can under its current operating license and commercial arrangements with airlines. The company is encouraged to become more proactive in the development of additional aviation activity at the airport including an increase in domestic and international passenger services and air freight. In particular WRAL should pursue new international air service opportunities (charter and scheduled) where it can with an initial focus on international airport city pairing that match existing runway capability notably east-coast Australia and the Pacific rim. Should any new opportunities come out of this approach the Board should report to shareholders on the matter and how they will manage new establishment costs (if required) in support of new services.

6. Hamilton and Waikato Tourism Limited (HWT)

HCC would like the Board of WRAL to support HWT in its role of raising Hamilton's and the wider Waikato region's profile, resulting in increased visitor numbers. HCC plans to continue to purchase tourism marketing outcomes from HWT.

7. Waikato Regional Airport Hotel Limited

HCC welcomes a revitalised focus on the Hamilton Airport Hotel and proposed remediation and expansion plans. HCC expects however that the Board will be prudent and alleviate any risk to WRAL associated with this activity.

Appendix 1

We recognise the significant achievements of WRAL over the last year and since incorporation. We thank you for your diligence on behalf of HCC and the company.

If you have any queries or comments, your key contacts are Richard Briggs, Chief Executive and/or Sean Murray, General Manager Venues, Tourism and Major Events Group.

Yours Sincerely

Richard Briggs
Chief Executive
Hamilton City Council

Attachment 1

Item C2

D-3242048