



# Statement of Corporate Intent

## Financial Year 2019

### **Gladstone Airport Corporation**

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## **PART A**

# **Corporate Objectives**

The Gladstone Airport Corporation (GAC) was established by the Gladstone Regional Council (GRC) in July 2012 and is responsible for the ownership and operation of the Gladstone Airport.

### **Vision**

For Gladstone Airport to be amongst Australia's leading regional airports.

### **Mission**

GAC will operate and develop Gladstone Airport to enable safe and secure travel connections that facilitate the economic and social growth of the region.

It is committed to both quality and innovation in the services and facilities it provides.

It is also committed to improving its efficiency and developing its people, systems and technology, while maintaining a strong environment, a health and safety culture and making a sustainable contribution to the betterment of the community it serves.

### **Values**

GAC is committed to:

- being the best at all it does
- providing high quality services to its customers and stakeholders every day
- fostering a culture among GAC team members of working collaboratively, effectively and efficiently
- being honest in all its dealings and accountable for its actions

## **Corporate and Operational Strategies**

GAC undertakes its business with the objective of increasing Shareholder value and to that end, seeks to earn market-based commercial revenues from its activities unless specifically directed otherwise by its Shareholder (Community Service activities).

While adhering to its commercial strategy, it will provide airport services and facilities to meet the demands of aircraft operators, commerce and industry and the travelling public.

It will actively pursue business development opportunities that are consistent with its commercial strategy.

GAC will continue to implement business improvement actions to increase the productivity of the capital deployed in the business as well as those employed in the operation of the Airport.

GAC will continue to implement and refine initiatives to strengthen its safety culture.

It will continue to develop its risk management processes to support the ongoing identification and mitigation of business risks, including operational safety.

GAC will at least annually provide the Shareholder with a copy of the strategic risk register.

GAC will comply with all relevant legislative and regulatory requirements of local, state and national governments.

GAC will continue to be a responsible corporate citizen and will seek to maintain its good standing in the community.

## **Regional Planning and Development**

GAC will work collaboratively with GRC and State Planning authorities on relevant planning and development issues in the region.

GAC will be a third party referral agency for GRC. As such, GAC will advise Council in respect of any development proposals in terms of their potential impact on the Airport and its operations.

GRC shall advise GAC of any matter, scheme, legislation or regulation that has implications for the Airport, its land, facilities or operations that comes to the knowledge of the Council.

Appropriate communication forums will be maintained between the organisations to ensure that regional planning and development issues are managed professionally by both organisations to the benefit of the community.

## **Environment**

GAC strives to minimise its environmental impact and implement sustainable business practices.

Accordingly it will:

- Seek to improve its management of environmental risks;
- Comply with environmental legislation, regulation and licence standards in all its operations and environmentally relevant activities;
- Encourage and integrate sound environmental practices into its operations and businesses; and
- Promote waste minimisation, water conservation and energy management within its day to day operations.

## **Subsidiary Activities**

Gladstone Airport Corporation will not establish any subsidiary corporate entities without the specific approval of Gladstone Regional Council and Queensland Treasury.

## **Community Service Obligations**

GAC's community service obligations include any activity new or continuing which is directed by the GRC to be conducted on a basis other than commercial market terms.

The cost of delivering these community service obligations shall be determined by recording the sum which would have been paid by these airport users or commercial operators had they paid on commercial market terms and/or the relevant fee/s and subtracting the sum that was actually paid by those users.

The difference between commercial market terms and/or the relevant fee/s and the sum that was actually paid by these airport users or commercial operators is a cost that must be met by GRC and shall be paid to the account of the GAC upon the presentation by the GAC of the substantiating data.

The protocol for CSOs agreed between GAC and GRC is included within Appendix 3 "Corporate Governance and Operations Protocols and Principles" of this Statement of Corporate Intent.

## PART B

# Capital Structure and Financial Performance

### Dividend Policy

The GAC Board will recommend the payment of dividends within the overall objective of maximising Shareholder value that sees 50% of Net Profit after Tax returned to the Shareholder.

Capital Structure	30 June 2017	30 June 2018 *	30 June 2019 **
Total Borrowings (\$M)	33.7	33.7	33.7
Total Equity (\$M)	69.47	69.73	70.44
Total Capital (\$M)	103.2	103.4	104.2
Gearing Ratio (%)	48.53%	48.35%	47.86%

\* 30 June 2018 figures are provisional

\*\* 30 June 2019 figures from the draft budget

### Borrowings

As GAC is subject to the provisions of the *Statutory Bodies Financial Arrangements Act 1982*, it is required to borrow from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

GAC will look to undertake borrowings in line with the DoLG borrowings policy as outlined in the annual borrowings bulletin unless another financial institution can offer a more beneficial rate, taking into account risk.

### Acquisition, Disposal and Maintenance of Major Assets

Capital investment at Gladstone Airport is determined by the Board of GAC and informed by its assessment of demand for airport services and economic life of airport assets. The GAC Board is committed to establishing a sustainable capital structure for the enterprise.

No assets other than normal operating plant and equipment will be disposed of without the approval of GRC.

The following table provides details of proposed capital investment in Financial Year 2019.

<b>FY2019 Capital Expenditure</b>	<b>\$,000</b>
Safety, Security Regulatory Infrastructure	55
Aircraft Movement Area	360
Buildings	1,140
Roads, Car Parks & Infrastructure	400
Plant and Equipment	0
<b>Total</b>	<b>1,955</b>

## 10 Year Capital Expenditure

GAC has also developed, a 10 Year Capital Investment Program (see Appendix 2) which it monitors and reviews to adequately address regulatory requirements, future demand for air services, safety and security requirements, and terminal and airport development.

The 10 Year Program will include significant expenditure on the runway and taxiways as well as on initiatives to enhance airport safety, security and access. GAC will provide this program to GRC in conjunction with each annual Statement of Corporate Intent.

The nature of Airport maintenance necessitates accumulation of cash balances over multiple years towards large periodic expenditure, which are unable to be met from annual operating revenues.

## Taxation

GAC's activities are exempt from all forms of Commonwealth taxation, except for Fringe Benefits Tax and Goods and Services Tax (GST).

GAC is liable to pay payroll tax to the Queensland Government on all of its activities.

GAC is required to comply with the Local Government Tax Equivalents Regime in relation to income tax, stamp duty and land tax.

Tax equivalents are paid, or a debt is recognised in favour of Gladstone Regional Council.

## **Competitive Neutrality Adjustments**

In order to remove any competitive advantage, or disadvantage, resulting from public ownership, GAC is required to apply the competitive neutrality principle in accordance with the Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 (repealed).

It was agreed both by GRC and GAC that obligations with respect to the payment of Tax Equivalents and a Competitive Neutrality Fee to GRC in accord with Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 (repealed), would be deferred for the first three full years of GAC operation, expiring 30 June 2015.

All accrued liabilities have been paid to GRC with the last payment in June 2018.

## **Insurance**

GAC will hold necessary insurances to manage its risk as determined by the GAC Board and currency certificates will be provided to GRC for all insurance policies held by GAC.

## **Budget**

The GAC Board shall prepare and adopt annual budgets for GAC.

GAC will conduct its business in accordance with appropriate commercial principles and subject to any direction from GRC with respect to Community Service Obligations, price its services accordingly.

## **Performance Drivers**

The key drivers for GAC include:

- Aviation activity
- Non-aviation infrastructure and capital investment
- Forecast economic growth
- Operational performance and efficiency
- All stakeholders
- Safety
- Community engagement
- Environment

## Statement of Corporate Intent : Financial Indicators

Financial Indicators (Annual)	30 June 2017	30 June 2018 <sup>a</sup>	30 June 2019 <sup>b</sup>
Net Profit (before tax) (\$m)	0.676	0.319	1.034
Net Profit (% of revenue)	6.16%	3.09%	9.17%
Net Profit (after tax) \$m	0.432	0.258	0.711
Return on Equity (%)	0.62%	0.37%	1.01%
Gearing (%)	48.53%	48.35%	47.86%
Debt Service Coverage Ratio	1.99	1.80	2.20
Liquidity ratio (Current Ratio)	5.36	12.85	12.34
Interest cover ratio (EBIT)	1.26	1.12	1.40
Interest cover ratio (EBITDA)	1.99	1.80	2.20
Shareholder Loan Interest Payments*	2.043	2.043	2.043
Deferred Competitive Neutrality Adjustment Repayments	0.829	0	0
Competitive Neutrality Adjustments (current)	0.506	0.506	0.506
Loan Administration Fee (\$m)	0.04	0.04	0.05
Deferred Income Tax Equiv. Repayments (\$m)	0.79	0.00	0.00
Income Tax Equivalent Current	0.24	0.06	0.32
Dividend Distribution to GRC** (\$m)	0.216	0.129	0.355
Dividend ratio**	50% of net profit after tax	50% of net profit after tax	50% of net profit after tax
Total payments to & contributions to GRC	4.66	2.78	3.28

\* Interest on QTC Loan excluding additional costs

\*\* Dividend of 50% of net profit after tax to be returned to Shareholder

<sup>a</sup> 30 June 2018 figures are provisional

<sup>b</sup> 30 June 2019 figures from the draft budget



## PART C

### Non-financial Performance Measures

GAC will provide quarterly and annual reports on the following non-financial indicators in FY2019:

#### A. Operations

	FY2017	FY2018*	FY2019**
RPT Passenger Movements	305,643	263,009	255,118
RPT Aircraft Movements	6,197	5,636	5,570
RPT Aircraft Landed Tonnes	89,472	74,358	74,358
General Aviation Aircraft Movements	6,843	6,252	6,357

#### B. Staffing

	FY2017	FY2018*	FY2019**
GAC Full Time Employees (EOFY)	25	16	13
Full Time Equivalents	33.21	19.1	15.26
Passenger Movements per FTE	9,203	13,698	17,733
RPT Aircraft Movements per FTE	187	295	365

\* 30 June 2018 figures are provisional

\*\* 30 June 2019 figures are from the draft budget

#### C. Airport-wide Health, Safety, Security & Environmental Performance

	FY2017
Aviation Safety Incidents and Official Notifications	18
Aviation Security Breaches and Notifications	3
Workplace Health and Safety Incidents and Hazard Reporting	3
Environmental Breaches and Notifications	1

#### D. Airport Services Performance (ASP) Rating

GAC will conduct annual Airport Service Performance surveys of passengers and airport visitors to Gladstone Airport.

## **PART D**

### **Other Matters**

#### **Risk Management and Legislative Compliance**

GAC's approach to the identification, assessment and management of risk is based on the international and Australian standard AS/NZS ISO 31000:2018 *Risk management – Principles and guidelines*, so far as this standard relates to the nature, scale and complexity of GAC and the operations of Gladstone Airport.

GAC's risk identification and management process is monitored by the Finance and Audit Committee and Risk and Compliance Committee, which are subcommittees of the Board and which report to the Board on a regular basis. The risk management framework is in place to mitigate potential financial and operational risks and regularly assess, monitor and report in accordance with risk management plans.

The risk management framework is designed to ensure that material financial, operational and other risks are regularly identified, assessed, monitored and reported to the Risk and Compliance Committee or the Finance and Audit Committee and the Board, as appropriate, along with appropriate risk mitigation and management plans.

GAC management will also provide the Risk and Compliance Committee and the Board with details of potential security risks and breaches; safety hazards and workplace health and safety incidents and near misses; and environmental incidents.

GAC is committed to the development and implementation of a 'fit for purpose' legal compliance system tailored from the principles in the relevant Australian and international standards.

#### **Corporate Governance and Operational Protocols and Principles**

##### **Corporate Governance**

The Board takes responsibility to ensure that prudent financial practices will be applied within GAC. This includes a commitment to:

- Comply with the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice) as issued by the Queensland Government; and
- Establish, maintain and implement appropriate financial risk management practices and policies required and as specified in the Code of Practice.

The Board acknowledges and has put in place governance mechanisms to ensure compliance with GOC policies.

GAC and GRC have agreed various protocols and principles for GAC's corporate governance and operations. These protocols and principles are set out at Appendix 3 to this Statement of Corporate Intent.

GAC and GRC must comply with the corporate governance and operational protocols and principles.

## Employment and HR Policies

GAC has developed a suite of human resource policies and enters into individual employment contracts with its employees. These employment contracts are underpinned by the *Airport Employees Award 2010*.

## Health and Safety

GAC remains committed to ensuring the health and safety of its people, community and environment. Key programs include:

- Continuation of Health Safety and Environment initiatives;
- A review of objectives and key performance indicators;
- Health and safety initiatives such as Drug and Alcohol Programs, CASA reporting and monitoring systems;
- Using proactive approaches through the ongoing promotion of health and wellbeing programs, employee assistance programs for both work related and non-work related injuries where relevant.

## Accounting Systems

GAC is responsible for the presentation of a financial report that gives a true and fair view of the position of the Corporation.

## Audit

GAC will be audited annually by Queensland Audit Office or its delegate.

The GAC Board through its Finance and Audit Committee will meet with the external auditor to agree an engagement letter and audit plan and consider the findings of the audit.

The Board will consider its internal audit responsibilities on an annual basis and identify when and/or if an internal audit needs to be undertaken in order to:

- (a) ensure it has in place appropriate internal control systems to minimise fraud and theft; and
- (b) to ensure it has in place a systematic and disciplined approach to evaluating and improving the effectiveness of risk management.

## Purchasing

GAC will seek to minimise its purchasing costs. As far as is practicable and economic, it will provide opportunities for local businesses to supply goods and services to the company.

The Gladstone Airport Corporation may enter into agreements with third parties, including the Gladstone Regional Council for the provision of services as appropriate.

## Quality

GAC will embed quality assurance in its systems and processes and this may be subject to internal audit.

## Annual Reports

The GAC Board shall prepare an Annual Report which will present:

- (a) Key challenges and achievements;
- (b) Reporting on full year operations with comparative reporting against annual SCI targets;
- (c) Statement of Financial Position with accompanying notes and schedules and Cash Flow Statement including comparative last year figures;
- (d) Analysis of Actual versus SCI Target and comparative Previous Year Financial and Non-Financial Performance Indicators;
- (e) Annual Capex and Major Maintenance reports;
- (f) Details of any changes made to the SCI during the reporting year;
- (g) Particulars of any directions the Shareholder gave to the Board during the financial year and the impact that these directions had on the Corporation's profit and loss, statement of financial position and prospects of the Corporation;
- (h) Statement of opinion by the Board as to whether the Corporation will be able to pay its debts when they become due;
- (i) Presentation of financial information to the Shareholder which will allow the appropriate consolidation into the Shareholders annual financial returns; and
- (j) Completion of all statutory annual returns to Aviation authorities.

## Reporting

A consolidated report is to be delivered twice yearly both in written and verbal form by GAC to GRC, unless a session is called by the Shareholder. The presentation will be held one week after the GAC Board Meeting that will be conducted in September and March or by a date agreed with either the Chief Executive Officer GRC or Chief Financial Officer GRC.

A single consolidated report is to include at a minimum:

- I. All financial information;
- II. Key operational data and KPIs; and
- III. A summary of outstanding stakeholder issues/complaints.

## **Appendices**

Appendix 1: Financial Statements

Appendix 2: 10 Year Capital Expenditure

Appendix 3: Corporate Governance and Operational Protocols and Principles

Appendix 4: Social Licence to Operate

## Appendix 1 - Financial Statements

### GLADSTONE AIRPORT CORPORATION PROFIT & LOSS

\$'000s	FY2017	FY2018 *	FY2019 **
	\$	\$	\$
<b>Operating Income</b>			
Aeronautical	9,084	8,346	9,555
Commercial	1,904	1,971	1,722
<b>Total Gross Income</b>	<b>10,987</b>	<b>10,317</b>	<b>11,277</b>
<b>Operating Expenses</b>			
Employee and other benefits	3,569	2,706	1,958
Services & Utilities	1,049	2,023	2,720
Administration	478	243	225
Repairs and maintenance	713	671	644
Auditors remuneration	24	23	22
<b>Total Operating Expenses</b>	<b>5,833</b>	<b>5,664</b>	<b>5,568</b>
<b>Operating Profit</b>	<b>5,154</b>	<b>4,652</b>	<b>5,710</b>
<b>Non-operating Income</b>			
Non-operating income	19	8	7
Interest income	298	295	316
Other Comprehensive income	0	0	0
<b>Total Non-operating Income</b>	<b>317</b>	<b>302</b>	<b>323</b>
<b>Non-operating Expenses</b>			
Depreciation and amortisation	2,208	2,046	2,400
Capital Loss and Impairment	0	0	0
Interest Expense	2,588	2,591	2,599
<b>Total Non-operating Expenses</b>	<b>4,796</b>	<b>4,636</b>	<b>4,999</b>
<b>Net Profit Before Tax</b>	<b>676</b>	<b>319</b>	<b>1,034</b>
Income Tax Equivalents	244	60	323
<b>Net Profit after Tax</b>	<b>432</b>	<b>258</b>	<b>711</b>

\* 30 June 2018 figures are provisional

\*\* 30 June 2019 figures are from the draft budget

## GLADSTONE AIRPORT CORPORATION BALANCE SHEET

\$'000s	FY2017	FY2018 *	FY2019 **
	\$	\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11,895	11,394	11,650
Debtors and prepayments	1,698	813	1,850
<b>Total Current Assets</b>	<b>13,593</b>	<b>12,207</b>	<b>13,500</b>
<b>Non-current Assets</b>			
Deferred tax asset	4,875	4,875	4,875
Property, plant & equipment	88,294	87,583	87,138
<b>Total Non-current Assets</b>	<b>93,169</b>	<b>92,458</b>	<b>92,013</b>
<b>Total Assets</b>	<b>106,762</b>	<b>104,665</b>	<b>105,513</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	644	662	798
Provisions	494	261	269
Other financial liabilities	829	20	20
Deferred income	7	7	7
Income tax equivalents	561	0	0
<b>Total Current Liabilities</b>	<b>2,535</b>	<b>950</b>	<b>1,094</b>
<b>Non-current Liabilities</b>			
Borrowings	33,716	33,716	33,716
Provisions	6	27	26
Deferred income	247	240	234
Accrued income tax equiv.	785	0	0
<b>Total Non-current Liabilities</b>	<b>34,754</b>	<b>33,983</b>	<b>33,976</b>
<b>Total Liabilities</b>	<b>37,289</b>	<b>34,933</b>	<b>35,070</b>
<b>Net Assets</b>	<b>69,474</b>	<b>69,732</b>	<b>70,443</b>
<b>Equity</b>			
Contributed capital	69,793	69,793	69,793
Revaluation surplus	2,116	2,116	2,116
Retained earnings	-2,435	-2,177	-1,466
<b>Total Equity</b>	<b>69,474</b>	<b>69,732</b>	<b>70,443</b>

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## GLADSTONE AIRPORT CORPORATION STATEMENT OF CASHFLOW

\$'000s	FY2017	FY2018*	FY2019**
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	11,675	12,107	11,255
Interest received	298	314	316
Payments to suppliers and employees	-7,002	-7,018	-5,962
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,971</b>	<b>5,403</b>	<b>5,609</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure			
Purchase of Assets	-128	-665	-1,955
Work in progress	0	-200	0
Proceeds from sale of Assets	307	0	80
<b>Net cash inflow/(outflow) from investing activities</b>	<b>179</b>	<b>-865</b>	<b>-1,875</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	-2,043	-2,065	-2,043
Loan Administration Fee	-9	-9	-9
Competitive Neutrality	-829	-2,121	-829
Repayment ITE	-850	-629	-242
Dividend	-716	-214	-355
<b>Net cash inflow/(outflow) from financing activities</b>	<b>-4,447</b>	<b>-5,038</b>	<b>-3,478</b>
<b>Net increase in cash and cash equivalents held</b>	<b>703</b>	<b>-500</b>	<b>256</b>
<b>Cash and cash equivalents at <u>beginning</u> of reporting period</b>	<b>11,192</b>	<b>11,895</b>	<b>11,394</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>11,895</b>	<b>11,394</b>	<b>11,650</b>

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## Appendix 2 - 10 Year Capital Expenditure

### GLADSTONE AIRPORT CORPORATION 10 YEAR CAPITAL EXPENDITURE PLAN (\$M)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Safety, Security & IT Infrastructure	0.05	1.00	0.00	0.00	0.50	0.00	0.25	0.50	0.10	0.05
Aircraft Movement Area	0.3	0.00	0.50	0.00	0.00	0.75	1.00	0.00	0.50	0.00
Buildings	1.16	0.30	0.05	0.50	0.10	0.05	0.05	0.05	0.05	0.55
Roads, Car Parks & Infrastructure	0.4	0.00	0.01	0.20	0.20	0.01	0.01	0.00	0.00	0.00
Vehicles, Plant & Equipment	0.04	0.00	0.04	0.20	0.05	0.00	0.00	0.04	0.01	0.01
<b>Total</b>	<b>1.95</b>	<b>1.30</b>	<b>0.60</b>	<b>0.90</b>	<b>0.85</b>	<b>0.81</b>	<b>1.31</b>	<b>0.59</b>	<b>0.66</b>	<b>0.61</b>

## Appendix 3 - Corporate Governance and Operational Protocols and Principles

### 1. Social Licence to Operate

GAC and GRC have agreed upon a Social Licence to Operate (**SLTO**) which is a document which sets out GRC's expectations of GAC as to what constitutes behaviour of a good corporate citizen in relation to GAC's activities and governance. The SLTO is attached as Appendix 4 to the Statement of Corporate Intent.

### Company and Shareholder Roles and Responsibilities

GAC and GRC acknowledge that:

- (a) the responsibilities of the Board are to ensure that GAC performs its responsibilities in an economical, effective, efficient, socially responsible and prudent way; and uses its best endeavours to ensure GAC acts in accordance with, and achieves, its Statement of Corporate Intent and accounts to GRC for GAC's performance;
- (b) the directors are responsible for the solvency and long term viability and sustainability of GAC. In addition, the directors have standards of ethical behaviour and duties at law including a duty to act in the best interests of the Corporation. The Board and its Directors have a fiduciary duty to ensure the ongoing viability and success of GAC. However, this must be in the context that GAC is wholly owned by GRC as the sole Shareholder, which requires all Board decisions and actions to consider the overall best interests of GRC;
- (c) GRC is accountable for the performance of GAC to its ratepayers and achieving an appropriate commercial return on its investment. In order to fulfil its obligations, GRC requires timely, balanced and clear information about GAC and its performance; and
- (d) GRC is committed to supporting GAC to operate as a separate corporate entity and its directors to fulfil their legal and other responsibilities and GAC is committed to keeping GRC as sole Shareholder appropriately informed about the operations, performance and financial position of GAC.

### Protocols for Community Service Obligations

GAC and GRC agree that:

- (e) by the by the end of January each year, GAC will present to GRC any case it may have for additional or substantially altered CSOs for the following financial year;
- (f) between the presentation of the Proposed CSOs and the end of May, GAC and GRC will negotiate the applicability and cost of the Proposed CSOs for inclusion in the subsequent financial year;
- (g) the CSO Case must include the following:
  - (i) Rationale for the treatment of a matter as a CSO;
  - (ii) Methodology for the costing of the CSO; and
  - (iii) Proposed CSO payment to GAC by GRC for the subsequent financial year;

- (h) the Methodology for costing the CSO must include a comparison of practices in CSO-Benchmark Airports (CSOBA). A CSO will only arise if a majority of CSOBA's apply more commercially oriented practices on the matter than that required by the Council. The CSOBA's should include all Australian and New Zealand Airports which have annual passenger volumes between current Company volumes and those forecast in the Airport Master Plan. Other relevant airports may also be included where justified;
- (i) the value of the CSO is the financial difference between GRC's requirements and that which would occur if the CSOBA benchmark practices were applied (including annual operating revenue, operating expenditure, and/or capital cost differences);
- (j) if GAC provides evidence that GRC requires less commercial practices or charges than the majority of CSOBA's, GRC must negotiate a CSO and include the payment in its subsequent budget; and
- (k) CSOs are most likely to arise in relation to fees and charges or operating practices imposed directly on community members by GAC where GRC requires that GAC applies a less commercial approach than CSOBA. On approval of a CSO by GRC, the parties must incorporate the CSO into the Statement of Corporate Intent. The Board must revise its planned dividend payment in accordance with the dividend policy, based on the net financial impact of the CSO.

## 2. Reporting Protocols

GAC and GRC acknowledge that:

- (a) in accordance with the LGBEBA, the Board will provide GRC with:
  - (i) a consolidated quarterly report within one week of the GAC Board Meeting that follows the end of each of the first three financial quarters or by a date agreed with either the CEO or CFO of GRC; and
  - (ii) an annual report within four months after the end of each financial year;
- (b) quarterly reports to GRC will contain information to allow GRC to make an informed assessment of the Corporation's operations;
- (c) the annual report to GRC will contain information to allow the Shareholder to make an informed assessment of the Corporation's operations for the entire reporting period; reflect comparative performance against the financial and non-financial targets agreed in the Statement of Corporate Intent; particulars of any changes made to the Statement of Corporate Intent during the year and the respective impacts of the changes; dividend policy; and a statement by the Board with regards its ability to pay its debts when they become due;
- (d) the Board will:
  - (i) advise GRC in a timely manner of any issues likely to have a material regulatory, financial, operating, social and environmental impact on GAC; and
  - (ii) provide GRC with any reasonable information it requires to make reports required under the Act or any other Act and as a controlled entity of GRC provide all information required for consolidation of GRC's financial statements;

- (e) GAC will:
  - (i) endeavour to provide GRC annually with details of performance benchmarking against other regional airports within Australia who have conducted similar performance benchmarking;
  - (ii) immediately inform GRC of any matter the board considers may prevent, or significantly affect, GAC from achieving the objectives or targets stated in its Statement of Corporate Intent; and
  - (iii) immediately advise GRC and the Auditor-General if it suspects that GAC may, or will, become insolvent due to any cause and including any cause related to a particular direction from GRC;
- (f) in requesting and reviewing any reports from GAC, GRC will be respectful of:
  - (i) the corporate nature of GAC;
  - (ii) the independence of the Board;
  - (iii) the roles and duties of the individual directors; and
  - (iv) the administrative and other impacts that any request might have on GAC; and
- (g) GRC will provide relative and timely feedback on information it has to GAC that might be of mutual benefit.

### 3. Dividends Protocol

Both GAC and GRC recognise that:

- (a) GRC's preference is for consistency and certainty of returns through the provision of timely and accurate forecasts of dividends;
- (b) dividends can only be paid out of current year net profits of GAC; and
- (c) no later than 31 July each year the Board must recommend that GAC pay a stated dividend.

GRC acknowledges and accepts that the Board must take into account a range of factors in determining a dividend including:

- (a) current and forecast profit of GAC;
- (b) the long term nature of the business of GAC, in particular the sensitivities of passenger growth which is highly dependent on the industrial development of the Gladstone region;
- (c) the need to minimise risks to human health through prudent investment in capital and operations;
- (d) appropriate investment to ensure compliance with regulatory requirements and in accordance with the 2011 Gladstone Airport Master Plan;
- (e) forecast capital requirements of the business and the need to maintain a commercial capital structure;
- (f) forecast cash requirements of the business of GAC including requirements for working capital and contingency for financial flexibility;
- (g) the current and forecast financial requirements of the business of GAC; and
- (h) GAC has agreed to pay GRC a dividend of 50% of net profit after tax.

#### 4. **Systems and Operations**

- (a) GAC and GRC acknowledge that:
  - (i) GRC expects GAC to demonstrate efficiency and effectiveness in its operations;
  - (ii) GAC should not duplicate systems or services which are available from GRC on competitive terms and meet GAC's business requirements;
  - (iii) where appropriate, GRC and GAC will negotiate, in good faith, Service Level Agreements (SLA's) for the provision of services between the parties; and
  - (iv) without limiting the terms of any SLA, all services provided under an SLA will be provided at an equivalent standard as that provided to their own organisation, unless specifically provided in the SLA.
- (b) GRC acknowledges that the Board may consider and approve a business case for alternative services or systems, provided such a change would be in the overall best interests of GAC. Where GAC proposes to transition from a Shareholder-provided service to another supplier, it should provide at least three (3) months' notice of any change in service or systems requirements.

#### 5. **Shareholder and Company Communications**

GRC and GAC acknowledge that:

- (a) they will communicate in a manner consistent with mutual respect and ensuring "No Surprises";
- (b) without limiting the statutory reporting requirements and those outlined above, GAC and GRC will ensure that:
  - (i) as a minimum, the Chairman and Mayor and respective CEOs will meet on a quarterly basis;
  - (ii) GAC Chairman and CEO will present a report twice yearly to the full Council in closed session and discuss matters raised in that report;
  - (iii) the Board and Shareholder councillors will meet annually in closed session following the handing down of GAC's annual report (through an Annual General Meeting) whereby the board will formally report to the Shareholder on the performance of GAC; and
  - (iv) GAC's CEO and/or his/her delegate and GRC's Finance Director as the Shareholder's key representatives will hold regular briefings as required.
- (c) GAC's CEO will communicate regularly with the CEO and executive officers of GRC; and
- (d) verbal communication between GRC and GAC on any matters of substance should be confirmed in writing (including email) within 48 hours.

## 6. **Information Sharing and Media**

GRC acknowledges that in fulfilling any reporting and other requirements, GAC may share information with GRC as appropriate.

Where that information is confidential to GAC, GRC will respect that confidentiality.

GAC may communicate directly with the media, and will, to the extent practicable, make GRC aware of the issues being communicated.

GRC must be advised of any emergency or controversial situation promptly upon it coming to the attention of GAC.

## Appendix 4 - Social Licence to Operate

1. Council recognises that GAC's business operations have a significant community presence, which creates a responsibility to manage the community impacts.

Community benefits include:

- the value of the business which is owned by the community (GRC),
  - the airport is essential to the continuing economic development of the region,
  - it facilitates regional economic and population growth, and
  - it provides major transportation and communication links for social, commercial and emergency needs
2. GAC's overall charter is to enhance Shareholder value. Since the Shareholder is the representative of the regional community, the operating impacts of the business on the community need to be carefully managed. This is in addition to specified community service obligations, which are addressed separately in the SCI and CP.
  3. GRC acknowledges that there will inevitably be negatives associated with operating a regional airport, especially in relation to noise and traffic impacts. These impacts are more problematic in the Gladstone Region, since the airport is located in an urban and industrial area. Therefore, some negative impacts are unavoidable.
  4. As the airport grows, the GAC Board must ensure that the positives significantly outweigh the negative impacts on the community. The Board should not make a decision which simply transfers direct and indirect costs to the community without significant offsetting community benefits. To ensure community impacts are appropriately managed, the Board must:
    - consider all potential community impacts in all of its decisions,
    - adopt contemporary airport mitigation approaches,
    - keep Council abreast of potential community impacts, including current and future decisions with a potential impact, and
    - monitor and report to Council on positive and negative community impacts in quarterly and annual reporting to GRC, including the level and nature of complaints.
  5. GAC should also manage its operations as a good corporate neighbour. GAC should maintain an ongoing neighbourhood relationship, including:
    - keep residents and businesses in affected neighbourhoods up to date on airport activities and developments,
    - provide ongoing communication with the adjoining and affected neighbourhoods where appropriate,
    - establish a complaints policy and procedures, which are communicated with the neighbourhood (including online), including a complaints register,
    - assign a budget for community-based events and liaison (in addition to CSO arrangements outlined in the SCI and/or CP), and

- incorporate community impact information on its website, including complaints processes and complaint lodgement facilities.
6. GAC must be seen to uphold the following principles:
- ethical behaviour,
  - transparency,
  - provide value for money,
  - good corporate citizenship, and
  - quality and responsive customer services.