



Office of Hon Tony Ryall

Minister of Health
Minister for State Owned Enterprises

26 JAN 2012

Mr David MacKenzie
Chair
Christchurch International Airport Ltd
PO Box 14001
CHRISTCHURCH 8544

Dear Mr MacKenzie

2012/13 BUSINESS PLANNING ROUND

I am writing on behalf of shareholding Ministers to set out the shareholders' expectations for 2012/13. These build on the expectations set out in similar communications for 2011/12. They should be viewed in the context of Ministers seeking a continuous improvement in the performance and governance of SOEs, Crown-entity companies and other businesses the Crown owns.

Our expectations are divided into two categories – priority, and company specific. The first category applies to all airport companies. The second category is specific to your company.

Priority expectations

- *Shareholder Returns:* A prime focus for shareholding Ministers is that commercial entities should, over time, deliver returns that meet or exceed the company's cost of equity capital,
- *Dividends:* Shareholding Ministers expect companies, in which they own an interest, to operate a dividend policy that is commensurate with listed peers. This would include an understanding that dividends show a degree of consistency across years, and that an appropriate balance between dividends and re-investment in the business is maintained.
- *Joint Ventures (JV):* Shareholding Ministers expect to be informed at an early stage of any JV, particularly where the JV involves another New Zealand government entity or where it includes a foreign government or sovereign wealth fund.

Specific expectations

- *Canterbury Earthquake recovery:* We expect CIAL to continue to work with all stakeholders to offset the downturn in aeronautical and commercial revenue as a consequence of the earthquakes in the Canterbury region.
- *Diversification of revenue:* CIAL continues to focus on increasing its commercial revenue, particularly through strategic property development. It is our expectation that CIAL will manage this diversification carefully to ensure that it does not distract from its core aeronautical operations.
- *Completion of the Integrated Terminal Project (ITP):* The business plan for Financial Years 2012-14 states that the ITP is scheduled for completion by November 2012. We will be interested to receive an update on the latest timetable.
- *No surprises policy:* We would expect that shareholders will be kept informed of key developments (e.g. major acquisitions), as per the no surprises policy outlined in the Statement of Intent (SOI).

Timetable

Below is the normal business planning timetable with the final SOI due to be received by 30 June 2012. We recognise that you will also need to comply with timetable requirements of the other shareholder, therefore if alternative dates are required we request that those dates are included in your strategic issues letter.

Key dates for 2012/13 business planning

<i>Due date</i>	<i>Key action</i>
28 February	Board sends strategic issues letter to shareholding Ministers
1 May	Board submits draft SOI and business plan
30 June	Board delivers final SOI to shareholding Ministers

Engagement

Our expectation is that you will engage with COMU shortly after receiving this letter to discuss shareholding Ministers' expectations in more detail. Please make arrangements with your usual contact in COMU, [Withheld under s9(2)(g)(i)]

Yours sincerely



Hon Tony Ryall
Minister for State-Owned Enterprises
on behalf of shareholding Ministers

cc: Mr Jim Boulton, CEO, CIAL
Mr Bob Lineham, CEO, Christchurch City Holdings Ltd, PO Box 237, Christchurch, 8140