



# AGENDA

Ordinary meeting of the Nelson City Council Tasman District Council

## **Joint Shareholders Committee**

Friday 13 September 2013
Commencing at 1.30pm
Council Chamber
Civic House
110 Trafalgar Street, Nelson

#### Membership:

His Worship the Mayor of Nelson, Aldo Miccio His Worship the Mayor of Tasman, Richard Kempthorne Deputy Mayor of Nelson, Councillor Ali Boswijk Deputy Mayor of Tasman, Councillor Tim King Nelson City Councillor Derek Shaw Tasman District Councillor Glenys Glover

#### **Joint Shareholders Committee**

#### 13 September 2013

1587752

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## **Apologies**

#### 1. Interests

- 1.1 Updates to the Interests Register
- 1.2 Identify any conflicts of interest in the agenda
- 2. Confirmation of Order of Business

### 3. Confirmation of Minutes – 5 April 2013

7-13

Document number 1488174

Recommendation

<u>THAT</u> the minutes of the meeting of the Joint Shareholders Committee, held on 5 April 2013, be confirmed as a true and correct record.

# 4. Port Nelson Limited Draft Statement of Corporate Intent 2013/14

14-26

Document number 1569489

Note: Representatives from Port Nelson, Nick Patterson, Martin Byrne, and Daryl Wehner will be in attendance for this item.

Recommendation

<u>THAT</u> the report Port Nelson Limited Draft Statement of Corporate Intent 2013/2014 (1569489) with attachment 1552664 and 1552665 be received.

Recommendation to Councils

<u>THAT</u> the Port Nelson Limited draft Statement of Corporate Intent for 2013/14 be approved for signing subject to any minor changes identified;

AND THAT the Port Nelson Limited be requested not to vary their asset treatment at this point and to always use their best estimate of asset value in their reports.

# 5. Nelson Tasman Tourism Limited – Appointment of Directors

27-28

Document number 1574748

Recommendation

<u>THAT</u> the Joint Shareholders Committee receives the report Nelson Tasman Tourism Limited – Appointment of Directors (1574748);

<u>AND</u> recommends to Nelson City Council and Tasman District Council the re-appointment of Sharon McGuire and Terry Horne as Directors of Nelson Tasman Tourism for a three year term;

<u>AND</u> confirms support for the proposed Directors' fees which remain unchanged from the 2012/2013 year.

## 6. Nelson Airport Ltd – Appointment of Directors

29-30

Document number 1574744

Recommendation

<u>THAT</u> the Joint Shareholders Committee receives the Nelson Airport Ltd – Appointment of Directors Report (1574744);

<u>AND</u> recommends to the Nelson City Council and Tasman District Council the re-appointment of Annette Milligan as Director of Nelson Airport Ltd for a three year term.

# 7. Port Nelson Directors' Fees and Appointment of Directors Policy 2013

31-52

Document number 1568159

Recommendation

<u>THAT</u> the report Port Nelson Directors' Fees and Appointment of Directors Policy 2013 (1568159) and its attachments 1552640, 1552645, 1295787 and 1295797 be received;

AND THAT the Port Nelson Limited Directors' fees are increased by x%( a figure between 4.8% and 8%) to a total pool of \$2xx,xxx for the next 12 months;

AND THAT the amended Policy for the Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations (1295787) be adopted.

### 8. Nelson Airport Ltd – Directors' Fees

53-58

Document number 1587325

Recommendation

<u>THAT</u> the Joint Shareholders Committee receives the Nelson Airport Ltd – Directors' Fees Report (1587325) and its attachment (1576247);

<u>AND THAT</u> the Joint Shareholders Committee agrees that an increase in directors fees for Nelson Airport Ltd is appropriate;

Recommendation to Council

<u>THAT</u> the directors' fees for Nelson Airport Ltd be increased by x% (between 4.3% and 15.5%);

AND THAT each Council requests staff to jointly prepare an agreed approach and methodology for a joint policy on determining the appropriate level of directors' fees for CCOs in joint ownership; for Council consideration in 2014.

#### **PUBLIC EXCLUDED BUSINESS**

#### 9. Exclusion of the Public

Recommendation

<u>THAT</u> the public be excluded from the following parts of the proceedings of this meeting.

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:

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Public Excluded Minutes – Joint Shareholders Committee – 5 April 2013  These minutes confirmed the public excluded minutes of the Joint Shareholders meeting of 23 November 2012 and also contain information regarding:	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:
	The commercial activities of Nelson Airport Limited, including its half yearly results.		Section 7(2)(b)     To protect     information that     may disclose a     trade secret or the     commercial position     of a person
	The commercial activities of Port Nelson Limited, including its half yearly results.		Section 7(2)(b)     To protect     information that     may disclose a     trade secret or the     commercial position     of a person
	The commercial activities of Tourism Nelson Tasman Limited, including its half yearly results.		<ul> <li>Section 7(2)(c)         To protect         information that is subject to an obligation of confidence         Section 7(2)(h)             To carry out commercial activities         </li> </ul>
	Candidates for the Director position on the Nelson Airport Limited Board.		<ul> <li>Section 7(2)(i)         To carry out negotiations     </li> <li>Section 7(2)(a)         To protect the privacy of natural persons     </li> </ul>
2	Proposed Changes to the Tasman Bays Heritage Trust Trust Deed	Section 48(1)(a)  The public conduct of this matter would be likely to result in	The withholding of the information is necessary:  • Section 7(2)(a) To protect the

distinguish provider of natural
This report contains information for which parsons
Information relating to good reason exists proposed changes to the junder section 7
Production of the second secon
Trust Dead of the
The company Parties (1) and have a
Transfer
Tasman Bays Heritage Trust

# 10. Re-admittance of the public

Recommendation

THAT the public be re-admitted to the meeting.



# Minutes of a meeting of the Nelson City Council/Tasman District Council Joint Shareholders Committee

# Held in the Tasman District Council Chamber, Queen Street, Richmond

## On Friday 5 April 2013, commencing at 2.00pm

Present: His Worship the Mayor of Tasman R Kempthorne

(Chairperson), His Worship the Mayor of Nelson A Miccio, Tasman District Councillors T King and G Glover, Nelson City

Councillors A Boswijk and D Shaw

In Attendance: Tasman District Council: Chief Executive (L McKenzie),

Corporate Services Manager (M Drummond)

Nelson City Council: Chief Executive (C Hadley), Executive Manager Support Services (H Kettlewell), and Administration

Adviser (E-J Ryan)

Apology: His Worship the Mayor of Nelson A Miccio (for early departure)

#### 1. Confirmation of Order of Business

There were no alterations to the order of business.

#### 2. Interests

Councillors Glover and Shaw declared that they were members of the Nelson Regional Sewerage Business Unit Joint Committee, but that this did not constitute a conflict of interest with any agenda item.

No other conflicts of interest with any agenda items were declared.

#### 3. Confirmation of Minutes

23 November 2012

Document number 1415934, agenda pages 7-11 refer.

#### Resolved

<u>THAT</u> the minutes of a meeting of the Nelson City Council/Tasman District Council Joint Shareholders Committee, held on 23 November 2012, be confirmed as a true and correct record.

Boswijk/Shaw Carried

# 4. Nelson Regional Sewerage Annual Report 2011/12 and Business Plan 2013/14

Document number 1471115, agenda pages 12-76 refer.

Donna Hiser, Chairperson of the Nelson Regional Sewerage Business Unit, John Thiart, Nelson City Council Engineering Adviser, and Andrew Bishop, Nelson City Council Management Accountant, joined the meeting.

Ms Hiser presented the Nelson Regional Sewerage Business Unit Annual Report 2011/12 and Business Plan 2013/14. She explained that the Annual Report 2011/12 was late, due to delays involved with the valuation and audit process, but that a process had been agreed with the auditors to prevent this happening again.

Ms Hiser discussed the main points in the Annual Report. She explained that the auditors had noted that the Memorandum of Understanding was outdated and did not reflect current practices. Ms Hiser explained that this issue had been raised with the Chief Executives of both Councils and that it would be addressed in the near future.

The Committee discussed the Memorandum of Understanding and the governance of the Nelson Regional Sewerage Business Unit. It was agreed that a review of the governance model was desirable, and that it would be beneficial to include a preliminary assessment of governance options, given that background work had taken place at both Councils on this issue.

#### Resolved

THAT the Joint Shareholders Committee request the Chief Executives of Nelson City and Tasman District Councils to prepare a brief for a review of the governance model of the Nelson Regional Sewerage Business Unit and its operational support needs in consultation with the Chair of the Nelson Regional Sewerage Business Unit Joint Committee, and report back to the next meeting of the Joint Shareholders Committee on the brief and on a preliminary assessment of the options.

His Worship Mayor Kempthorne/Boswijk

<u>Carried</u>

Ms Hiser presented the Business Plan 2013/14. She explained that the plant upgrades were largely complete, but that two components had been deferred in order to carry out further analysis. She said that analysis had indicated that these components were no longer required, and the budgets associated with these components would be realised as a saving in 2014.

Ms Hiser added that the operations and maintenance contract tender process was currently underway, and that the contract would include a review of plant management.

Recommendation to the Nelson City and Tasman District Councils:

<u>THAT</u> the Nelson Regional Sewerage Business Unit Annual Report 2011/12 (1448078) be received;

AND THAT the Nelson Regional Sewerage Business Unit Business Plan 2013/14 (1464617) be adopted.

<u>King/Boswijk</u> <u>Carried</u>

# 5. Tasman Bays Heritage Trust Draft Statement of Intent and Half Yearly Report 2013/14

Document number 1475666, agenda pages 77-104 refer.

Terry Horne, Chairperson of the Board, and Peter Millward, Chief Executive Officer, joined the meeting. Mr Horne presented the half yearly report, and in particular noted the impact of the renegotiation of banking facilities, and the requirement to earthquake-strengthen the Isel Park storage facility building.

Mr Horne explained that earthquake strengthening of the Isel Park storage facility would be carried out next year, but that this issue had led the Trust to consider a wider long-term strategic review of the Museum. He suggested that a strategic review could consider whether the Museum exhibition and storage facilities were in the optimum locations, and whether the Trust's assets would be best served by investigating other locations.

Attendance: His Worship Mayor Miccio departed the meeting at 2.53pm.

There was general agreement that a strategic review of the property and location needs of the Museum was desirable, but a variety of viewpoints were expressed regarding whether it was preferable for this to be expressed in the draft Statement of Intent or the Strategic Plan 2013/14.

#### Resolved

<u>THAT</u> the Tasman Bays Heritage Trust be requested to alter the performance objectives in the Strategic Plan 2013/14 to reflect the need to review the property and location needs for the future operation of the Nelson Museum.

Boswijk/King Carried

Recommendation to the Nelson City and Tasman District Councils:

<u>THAT</u> the Tasman Bays Heritage Trust Half Yearly Report to 31 December 2012 be received;

AND THAT the Tasman Bays Heritage Trust Statement of Intent and Strategic Plan 2013/14 (noting the amendment) be approved for signing.

Boswijk/Glover Carried

## 6. Exclusion of the Public

Resolved

THAT, in accordance with section 48(5) of the Local Government Official Information and Meetings Act 1987, the following people remain for the following items after the public has been excluded, as they have knowledge that will assist the Committee:

- Mr Paul Steere and Ms Kaye McNabb, for the item "Nelson Airport Limited Statement of Intent and Half Yearly Report";
- Mr Phil Lough, Mr Parke Pittar and Mr Daryl Wehner, for the item "Port Nelson Limited half Year Report to 31 December 2012";
- Mr Phil Taylor, Ms Sharon McGuire, Mr Terry Horne and Ms Lynda Keene, for the item "Nelson Tasman Tourism Statement of Intent and Half Yearly Report 2013/2014";

AND THAT, in accordance with section 48(6) of the Local Government Official Information and Meetings Act 1987, the knowledge that the above-named people possess relates to:

- Mr Paul Steere and Ms Kaye McNabb knowledge of the commercial activities and half yearly results for Nelson Airport Limited;
- Mr Phil Lough, Mr Parke Pittar and Mr Daryl Wehner – knowledge of the commercial activities and half yearly results for Port Nelson Limited;
- Mr Phil Taylor, Ms Sharon McGuire, Mr Terry Horne and Ms Lynda Keene – knowledge of the commercial activities and half yearly results for Tourism Nelson Tasman Limited.

<u>King/Shaw</u> <u>Carried</u>

Resolved

<u>THAT</u> the public be excluded from the following parts of the proceedings of this meeting.

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:

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Public Excluded Minutes – Joint Shareholders Committee – 23 November 2012  These minutes confirmed the public excluded minutes of the Joint Shareholders meeting of 14 September 2012 and also contain information regarding:	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:
1	The operation of I-Sites in the Nelson Tasman Region and the marketing		<ul> <li>Section 7(2)(h)         To carry out commercial     </li> </ul>

	strategy and Tourism Nelson Tasman Limited.		activities	
	The possibility of a review of Tourism Nelson Tasman Limited		Section 7(2)(h)     To carry out     commercial     activities	
2	Nelson Airport Limited Statement of Intent and Half Yearly Report This report contains information relating to the commercial activities of Nelson Airport Limited, including its half yearly results.	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:  • Section 7(2)(b)  To protect information that may disclose a trade secret or the commercial position of a person	
3	Port Nelson Limited Half Year Report to 31 December 2012 This report contains information relating to the commercial activities of Port Nelson Limited, including its half yearly results.	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:  • Section 7(2)(h)  To carry out commercial activities	
4	Nelson Tasman Tourism Statement of Intent and Half Yearly Report 2013/2014 This report contains information relating to the commercial activities of Tourism Nelson Tasman Limited, including its half yearly results.	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:  • Section 7(2)(c)  To protect information that is subject to an obligation of confidence  • Section 7(2)(h)  To carry out commercial activities	
5	Appointment of Director - Nelson Airport Limited 2013  This report contains information relating to the candidates for the Director position on the Nelson Airport Limited Board.	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:  Section 7(2)(a) To protect the privacy of natural persons  Section 7(2)(i) To carry out negotiations	

King/Shaw

<u>Carried</u>

Date

The meeting went into public excluded session at 3.04pm and resumed in public session at 4.24pm.

## 7. Re-admittance of the Public

Resolved

# THAT the public be re-admitted to the meeting.

Chairperson

Boswijk/Glover	<u>Carried</u>
There being no further business the meeting ended at 4.24pm.	
Confirmed as a correct record of proceedings:	



13 September 2013

**REPORT 1569489** 

# Port Nelson Limited Draft Statement of Corporate Intent 2013/14

### 1. Purpose of Report

1.1 To approve the Port Nelson Limited draft Statement of Corporate Intent 2013/14 (Attachment 1).

#### 2. Recommendation

THAT the report Port Nelson Limited Draft Statement of Corporate Intent 2013/2014 (1569489) with attachment 1552664 and 1552665 be received.

#### 3. Recommendation to Council

<u>THAT</u> the Port Nelson Limited draft Statement of Corporate Intent for 2013/14 be approved for signing subject to any minor changes identified.

AND THAT the Port Nelson Limited be requested not to vary their asset treatment at this point and to always use their best estimate of asset value in their reports.

#### 4. Background

4.1 Port Nelson Limited is required to complete a Statement of Corporate Intent on an annual basis. The draft is included as Attachment 1.

#### 5. Discussion

- 5.1 The key changes in relation to performance indicators and targets of Port Nelson Limited are outlined in the covering letter from the Chairperson, Mr Patterson (Attachment 2). Otherwise this is very much a business as usual document.
- 5.2 There seems no advantage to the changes to asset treatment suggested in the covering letter and these changes will impact only on the comparability of one set of figures to the next. This change in treatment will, in effect, overstate Return on Assets (ROA) compared to previous years. Staff would recommend not making changes pending the fuller

- review of the content and timing of Statements of Intent and Statements of Corporate Intent.
- 5.3 Committee members may wish to seek further clarification on these and other matters. The Chairperson, Mr Patterson, and Chief Executive, Mr Byrne, will be in attendance to answer questions.

## 6. Options

- 6.1 Decline to accept the draft Statement of Corporate Intent 2012/13 and refer it to Port Nelson Limited for further amendment.
- 6.2 Accept the draft Statement of Corporate Intent 2012/13 as presented with any amendments.

## 7. Conclusion

7.1 That the Joint Shareholders Committee recommends to both Nelson City Council and Tasman District Council that the Port Nelson Limited draft Statement of Corporate Intent 2012/13 be approved for signing.

Hugh Kettlewell

## **Executive Manager Support Services**

#### **Attachments**

Attachment 1: Port Nelson Limited Draft Statement of Corporate Intent

2013/14 1552664

Attachment 2: Letter from Port Nelson Limited Chairperson <u>1552665</u>

No supporting information follows.



The Region's Gateway to the World

# STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

# **DRAFT**

## DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

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#### DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

#### 1. Introduction

This Statement of Corporate Intent (SCI) is for Port Nelson Limited (referred to as "PNL" or "the Company").

PNL is a subsidiary of Nelson City Council (referred to as "NCC" or "the shareholder") and Tasman District Council (referred to as "TDC" or "the shareholder").

This SCI covers the period from 1 July 2013 to 30 June 2014 and has been prepared in accordance with the terms under Section 9 of the Port Companies Act 1988.

### 2. Purpose

The purpose of this Statement of Corporate of Intent is to:

- (a) State publicly the activities and intentions of PNL and the objectives to which those activities will contribute; and
- (b) Provide a basis for accountability of the Board of Directors of PNL to the Shareholders for the performance of the Company.

PNL recognises the need to operate on a "no surprises policy" with its shareholders.

#### 3. Nature and Scope of Activities

PNL is a Nelson - Tasman based business owned by the community for the purpose of facilitating regional prosperity and to operate as a successful business. PNL recognises that providing a world class service is critical to the long term development of the region and sustainability of the company. Along with offering core port services PNL also identify the need to diversify where viable options arise.

PNL provides the following services:

- (a) marine services which include pilotage and towage services and navigation aids for the arrival, berth and departure of vessels to the Port
- (b) provision of berths to accommodate vessels at the Port
- (c) provision of wharves, plant and other services to facilitate the discharge and loading of vessels
- (d) container terminal handling services which include receipt, delivery, transit, storage and shipment of a wide range of import and export cargos
- (e) cargo logistics including warehousing and storage of goods
- (f) vessel slipping services

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## DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

- (g) the leasing of land and buildings not required for Port operating purposes
- (h) other port-related activities required to manage and operate an efficient and competitive port

### 4. Mission Statement

To operate the Company as a successful business providing cost efficient, effective and competitive services and facilities for port users and shippers.

To provide for the present and future needs of the Company in ways that are sensitive to people, use resources wisely and are in harmony with the environment of an export port.

### 5. Objectives

PNL aims to deliver on the following objectives:

- (a) To operate as a successful business.
- (b) To be a good employer.
- (c) To work within a debt equity ratio not exceeding 45.0% (31/69)
- (d) To aim to grow the business through stimulation of throughput, added value services and related business activities, so leading to increased revenue.
- (e) To achieve a commercially acceptable rate of return on shareholders' funds in accordance with meeting the objectives herein.
- (f) To ensure that sustainable Port development takes place which meets the needs of the region.
- (g) To ensure that high environmental standards are maintained.
- (h) To strive for continuous improvement in everything that we do.

## DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

## 6. Performance Targets and Other Measures

		Target	
Objectives	Performance Measure	2013 Actual *	2014
People	Lost Time Injury ("LTI") frequency rate	4.95	< 1.5
Financial	Shareholder funds to total assets ratio	72.8%	75.0%
Results	Debt to Equity ratio	25:75 (33%)	< 45%
	Dividends declared	\$4.2M	\$4.2M
	Return on average shareholder's funds	4.9%	4.0%
	Return on funds employed	6.4%	6.0%
	Revenue	\$38M	\$38M
	Capital expenditure	\$3.0M	< \$3.5M
Environment	Incidents leading to pollution of harbour		
and Community	Note: This measure relates to port	Nil	Nil
	operational area only (excludes port	INII	
	lease areas)		
	Compliance with all resource consent	100%	100%
	conditions	.00,0	
	Compliance with NZ maritime safety		
	standards in respect of;		
	<ul> <li>Dredged channels compliant with charts</li> </ul>	100%	100%
	Navigation aids		
	Pilotage		
	Compliance with Noise Variation	100%	100%
	Maintain ISO14001 certification	100%	100%
Customer	Annual cargo tonnes (t)	2.68M	2.66M
	Annual ships visits	712	695
	Gross shipping tonnes (gross registered t)	7.72M	7.76M

<sup>\* -</sup> Draft 2013 Actuals

#### DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

#### **Notes to Performance Measures and Other Targets**

- (a) **LTI frequency rate:** lost time injuries divided by hours worked in period multiplied by 100,000.
- (b) Financial Results: The measure for Financial Results is based on the budget for the financial year ended 30 June 2014. No adjustment has been made to the Financial Results to recognise an increase in the value of the business as a result of asset revaluation increases at 30 June 2013. Asset revaluations for the year ended 30 June 2013 are estimated as \$15M which contributes a 11% increase in shareholders' funds over that year.
- (c) Shareholder funds to total assets ratio: Shareholders funds are defined as paid up capital plus retained earnings and reserves. Total assets are defined as the sum of current assets and non-current assets.
- (d) **Return on average funds employed**: Earnings before Interest and Tax divided by the average shareholder equity plus net interest bearing debt.
- (e) **Return on average shareholder funds**: Net Profit after Tax divided by average shareholder funds.

#### 7. Dividend Policy

PNL notes the Shareholder's desire to receive dividends representing not less than 50% of net profit after tax. Similarly the PNL Board expectation is that not more than 75% of net profit after tax shall be distributed to the shareholders. The PNL Board will use its best endeavours to accommodate the Shareholders desire within the constraints imposed by the Directors' obligations to act in accordance with their statutory duties. Special dividends are not covered by this policy.

The Company accordingly estimates that the dividend distributions will be:

	2014	2015	2016
Dividend Distribution	\$4.2million	\$4.2 million	\$4.2 million

#### DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

#### 8. Accounting Policies

PNL has adopted accounting policies that are consistent with the New Zealand International Financial Reporting Standards (NZ IFRS) and other standards issued by the New Zealand Institute of Chartered Accountants appropriate for profit-orientated entities.

PNL is a reporting entity in terms of the Financial Reporting Act 1993. Accordingly, the financial statements of PNL are prepared in accordance with the Financial Reporting Act 1993.

A full statement of the Company's accounting policies is set out in the audited annual Financial Statements.

## 9. Information to be provided to the Shareholder

#### Annual Statement of Corporate Intent (SCI)

PNL will by 30 June in each year provide the Shareholders with an SCI as required by the Port Companies Act together with any other information it considers appropriate.

#### Half Yearly Report

The Company will deliver to the Shareholders and the Minister of Transport its Half Yearly Report prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993, including the unaudited consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate.

The report will include:

- · Performance Commentary
- · Statement of Profit and Loss
- · Balance Sheet
- Statement of Cash Flows
- Performance against the SCI Performance Targets and Other Measures

#### DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

#### **Annual Report**

Within three months after the end of each financial year PNL will deliver to the Shareholders and the Minister of Transport its Annual Report prepared in accordance with the reporting requirements of the NZ IFRS and the Financial Reporting Act 1993 and will include the audited annual consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate.

#### The report will include:

- Performance Commentary,
- · Statement of Comprehensive Income
- Balance Sheet,
- · Cash Flow Statement,
- · Statement of Changes in Equity,
- · Notes to the Financial Statements,
- Performance against the SCI performance targets and other measures,
- · Auditor's Report

#### **General Disclosure**

The Company will provide information to the Shareholders on an ongoing but confidential basis so as to ensure that the Shareholders are informed in a timely manner of significant events which relate to the Company and which may affect the Shareholders.

#### Communication of Information

The Company's primary line of communication, for all formal reports and ad hoc business matters, is direct to the Shareholders or their nominated representatives.

#### 10. Procedure for Acquisition of Shares

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation is governed by the provisions in the PNL Constitution and the Companies Act 1993. Any major share investment (other than operational investment) which is inconsistent with the 5 year strategic plan will be subject to Shareholder approval.

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### DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

## 11. Compensatory Activities

The Company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

### 12. Value of Shareholder's Investment

The value of Shareholder's equity as at 30 June 2013 was \$149,700,000.

## DRAFT STATEMENT OF CORPORATE INTENT

For the period from 1 July 2013 to 30 June 2014

Dated thisday of
Signed by Port Nelson Limited
Chairman
Director
Signed by the Nelson City Council
Mayor
Chief Executive
Signed by the <b>Tasman District Council</b>
Mayor
Chief Executive



The Region's Gateway to the World

11 July 2013

Mr H Kettlewell Executive Manager Support Services Nelson City Council PO Box 645 Nelson

Dear Hugh

## RE: Port Nelson draft 2013/2014 Statement of Corporate Intent

Please find enclosed a copy of the draft 2013/2014 Statement of Corporate Intent ("SCI"). The SCI has been reviewed by the Port Nelson Board of Directors.

Every effort is made to keep changes to a minimum. In this regard most changes are a function of updating future Performance Measurements as required by the Port Companies Act.

Please note the following additional paragraph on page 4 of the SCI.

No adjustment has been made to the Financial Results to recognise an increase in the value of the business as a result of asset revaluation increases at 30 June 2013.

Asset revaluations for the year ended 30 June 2013 are estimated as \$15M which contributes a 11% increase in shareholders' funds over that year.

Please also note that the 2013 Actuals are draft and subject to audit.

Yours sincerely

PORT NELSON LIMITED

A O Patterson CHAIRMAN

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#### 0.0 NELSON TASMAN TOURISM LTD - APPOINTMENT OF DIRECTORS

**Decision Required** 

Report To:

Joint Shareholders Committee

**Meeting Date:** 

13 September 2013

Report Author:

Mike Drummond, Corporate Services Manager

**Report Number:** 

File Reference:

### 1 Summary

- 1.1 Sharon McGuire and Terry Horne are due to retire as Directors of Nelson Tasman Tourism in 2013.
- 1.2 They have both indicated their willingness to be nominated for re-election for a further three year term.
- 1.3 The Board of Nelson Tasman Tourism supports both Sharon McGuire and Terry Horne being re-appointed for a further three year term.
- 1.4 It is proposed that there be no change in the Directors fees for the 2013/2014 year.

#### 2 Draft Resolution

#### That the Joint Shareholders Committee:

- 1) receives the Nelson Tasman Tourism Ltd Appointment of Directors; and
- 2) recommends to Nelson City Council and Tasman District Council the re-appointment of Sharon McGuire and Terry Horne as Directors of Nelson Tasman Tourism for a three year term; and
- 3) confirms support for the proposed Directors' fees which remain unchanged from the 2012/2013 year.



#### **NELSON TASMAN TOURISM LTD - APPOINTMENT OF DIRECTORS**

### 3 Purpose of the Report

- 3.1 To consider the re-appointment of Sharon McGuire and Terry Horne to the Board of Nelson Tasman Tourism.
- 3.2 To consider Directors' fees for the 2013/2014 year.

### 4 Background and Discussion

- 4.1 Sharon McGuire and Terry Horne are both due to retire as Directors in 2013.
- 4.2 Both have conveyed to the Board that they would be happy to be nominated for re-election for a further three year term, and the Board supports this.

### 5 Options

- 5.1 Reject the re-appointment of Sharon McGuire and Terry Horne to the Board of Nelson Tasman Tourism and seek nominations for the positions.
- 5.2 Accept the re-appointment of Sharon McGuire and Terry Horne to the Board of Nelson Tasman Tourism.

#### 6 Directors' Fees

6.1 It is proposed that the Directors' fees for the 2013/2014 remain unchanged from the previous year.

### 7 Attachments

Nil



#### 0.0 NELSON AIRPORT LTD - APPOINTMENT OF DIRECTORS

**Decision Required** 

Report To:

Joint Shareholders Committee

Meeting Date:

13 September 2013

Report Author:

Mike Drummond, Corporate Services Manager

Report Number:

### 1 Summary

- 1.1 Annette Milligan is due to retire as Director of Nelson Airport Ltd.
- 1.2 She has indicated her willingness to be nominated for re-election for a further three year term.
- 1.3 The Board of Nelson Airport Ltd support Annette Milligan being re-appointed for a further three year term.

#### 2 Draft Resolution

#### That the Joint Shareholders Committee:

- 1) receives the Nelson Airport Ltd Appointment of Directors Report; and
- recommends to Nelson City Council and Tasman District Council the re-appointment of Annette Milligan as Director of Nelson Airport Ltd for a three year term.



#### **NELSON AIRPORT LTD - APPOINTMENT OF DIRECTORS**



- 3.1 To consider the re-appointment of Annette Milligan to the Board of Nelson Airport Ltd
- 4 Background and Discussion
- 4.1 Annette Milligan is due to retire as Director of Nelson Airport Ltd in 2013.
- 4.2 Annette has conveyed to the Board that she would be happy to be nominated for re-election for a further three year term, and the Board supports this.
- 5 Options
- 5.1 Reject the re-appointment of Annette Milligan to the Board of Nelson Tasman Tourism and seek nominations for the position.
- 5.2 Accept the re-appointment of Annette Milligan to the Board of Nelson Airport Ltd.
- 6 Attachments

Nil



# Council – Joint Shareholders Committee

13 September 2013

**REPORT 1568159** 

# Port Nelson Directors' Fees and Appointment of Directors Policy 2013

#### 1. Purpose of Report

- 1.1 The purpose of this report is to establish the view from Council by way of resolution so that individual Councillors can represent Councils position when voting on these matters when attending the Port Nelson AGM.
- This report is also intended to review and amend the Policy for the Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations (the Policy).

#### 2. Recommendation

<u>THAT</u> the report Port Nelson Directors' Fees and Appointment of Directors Policy 2013 (1568159) and its attachments 1552640, 1552645, 1295787 and 1295797 be received;

AND THAT the Port Nelson Limited Directors' fees are increased by x%( a figure between 4.8% and 8%) to a total pool of \$2xx,xxx for the next 12 months:

AND THAT the amended Policy for the Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations (1295787) be adopted.

### Background

#### **Port Nelson Limited**

3.1 Last year Port Nelson Limited proposed an increase in Directors' fees of 4.8% to a total pool of \$230,500. The argument was well supported by the research provided by the New Zealand Directors' Fees Report 2012.

- The Joint Shareholders Committee recommended the increase to both Councils but Nelson City Council chose not to accept that recommendation. Without the consensus between the two shareholders, no resolution could be successfully put to the last Annual General Meeting of Port Nelson Limited.
- 3.3 It is usual practice that Port Nelson Limited only considers Directors' fees every second year. In 2011 Port Nelson Limited recommended no increases in Directors' fees. Consequently, the Directors of Port Nelson Limited have had no increase in fees since 2010.

## **Appointments Policy**

- 3.4 A draft policy was submitted to the Joint Shareholders Committee at the meeting on 5 December 2011. There was discussion particularly in relation to maximum tenure; however there was no resolution. The general tenor of the discussion was that clause 5.1of the Policy should at least be softened to allow consideration of long serving directors rather than a hard cap on tenure.
- 3.5 A subsequent report was submitted on 27 July 2012 and the Joint Shareholders Committee recommended the new Policy to both Councils; however Tasman District Council chose not to accept that recommendation.

#### 4. Discussion

4.1 These two matters are linked in this report as they have both failed to progress due to disagreement between the Councils following agreement at the Joint Shareholders Committee. It is possible that a way forward can be found by linking them.

#### **Port Nelson Limited**

- 4.2 This year the Board is recommending an increase of 8.0% to a total pool of \$237,500 (Attachment 1). The argument is well supported by their own independent research provided by the New Zealand Directors' Fees Report 2013 (Attachment 2).
- 4.3 If there is no agreement this year, or adjustment to Directors' fees, it will mean that there will be a four year gap since the last adjustment and that is not desirable. Some increment is required and it may be as high as the 8% suggested in this report, or perhaps 4.8% as Port Nelson Limited suggested last year.

### **Appointments Policy**

- 4.4 Three main amendments to the Policy have been made (refer Attachment 3):
  - A review of the Corporate Governance principles underpinning the Policy, including the incorporation of an upper limit on the number of terms a Director may serve, and consideration of gender balance

on each Governing Board (paragraphs 4.2-5.9; Policy clauses 3.1) and 5.1 refer);

- The Policy now codifies the current practice of each Council regarding the appointment of staff members and elected members as Directors/Trustees (paragraphs 5.10-5.11; Policy clauses 7.1-7.3 refer); and
- Editorial changes have been made to improve the reading of the Policy (paragraph 5.12 refers).
- 4.5 The reasoning behind these changes is covered in the previous report and is included in Attachment 4.

#### 5. Conclusion

5.1 Both of these matters have been outstanding for a considerable length of time and agreement would be beneficial to all parties.

### Hugh Kettlewell

## **Executive Manager Support Services Acting Executive Manager Community Services**

#### **Attachments**

- Attachment 1: Nick Patterson Chair Port Nelson Limited re Increasing Directors'
  - Fees <u>1552640</u>
- Attachment 2: Strategic Pay Directors Fee Report for Port Nelson Limited
  - 1552645
- Procedure for Joint Appointment of Directors/Trustees of Council Attachment 3:
  - Controlled Organisations 1295787
- Attachment 4: Review and Amendment of Procedure for Joint Appointment of

Directors/Trustees of Council Controlled Organisations and

Council Controlled Trading Organisations <u>1295797</u>

No supporting information follows.



The Region's Gateway to the World

10 July 2012

Joint Shareholders

Hugh Kettlewell Nelson City Council PO Box 645 Nelson

Mike Drummond Tasman District Council Private Bag 4 Richmond

Dear Hugh and Mike

### PORT NELSON DIRECTORS FEES

As part of its governance review Port Nelson has recently engaged Strategic Pay to benchmark the Director fees. The resulting findings show that fees have moved upwards since the last review completed in 2012. Included is a copy of this report.

Port Nelson Director fees were last increased in 2010. It should be noted that in 2012 the joint shareholders received a recommendation to increase the Director fees by 5%. This recommendation was approved by the joint shareholders but subsequently was not adopted by the Nelson City Council.

Further, our experience suggests it is better to make regular incremental adjustments rather than large one off adjustments. It is disappointing that we find ourselves in this position of having to make an adjustment of this magnitude but it is necessary if we expect to retain the calibre of Director required to govern a successful business such as Port Nelson.

Based on the recommendation from Strategic Pay and the increased scrutiny and responsibility associated with any directorship undertaken in New Zealand, the Board recommends that a fee increase to the level recommend in the report be considered. This would see the total fees increase to \$237,500 per annum from \$220,000.

We trust that you will find the proposed fee basis reasonable and acceptable.

Yours sincerely,

PORT NELSON LIMITED

A O Patterson Chairman



## **Port Nelson Limited**

## **Directors' Fees levels 2013**

Private & Confidential | Commercially Sensitive

Prepared by Michelle Gapes Senior Consultant Strategic Pay Limited July 2013



## **Executive Summary**

Thank you for the opportunity to provide advice on market information with respect to Directors' Fees for Port Nelson. Daryl Wehner, CFO of Port Nelson, requested Strategic Pay Limited to review the Directors' fee levels of Port Nelson Board and provide an opinion as to relevant values.

In reviewing the roles of Directors we questioned:

- the changes to Assets and Revenue;
- the volume of work in terms of hours, number of meetings; and
- duties and complexity of work faced by the Board.

The information gathered via a questionnaire has informed this report.

In common with all our reports of this nature, no part of this analysis is intended to make any comment on the performance of the Board or any of the individuals appointed to it either at any other time.

#### Information

The following comparisons may be helpful in understanding the commitments of Port Nelson directors:

- The Board comprises a Chair, Deputy Chair and four Directors, and meets 11 times per year for 3-5 hours.
- Two Committees have been established which three board members attend.
- The key responsibilities of the directors include corporate governance duties.

#### Recommendations

- At a minimum, we recommend that the total fee pool for the Directors of Port Nelson take into account Market Movement and Median industry values extracted from Strategic Pay's latest Directors' fee Survey, and the estimated hours worked by Directors on the business. This total fee pool is \$237,500, an increase of 8% from the current fee pool of \$220,000.
- Preferably, we recommend that Board fees for the Directors of Port Nelson maintain market position around the Median of market levels, by increasing fees inline with market data. The full recommendation appears on page 4.



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# **Background**

The aim of this report is to provide comprehensive commentary to inform those determining market competitive and appropriate fees for the Non-Executive Directors of Port Nelson. The advice in this report is based on relevant and valid market data extracted from the Strategic Pay May 2013 Directors' Fees Survey ("the survey").

# The Company

Port Nelson Limited mission is to operate a successful business providing cost effective and competitive services and facilities to port users and shippers. The aim is grow the business through stimulation of throughput, and added value services.

A public sector, local body owned company with current net assets valued at \$200 million, shareholder funds at \$150 million, revenue totals \$38 million. There are 150 FTE employees in the company.

# **Directorships**

The Port Nelson has six directors. The directors have extensive commercial backgrounds and generally have a background in management and development, finance, law and community. The board reviews all aspects of asset and financial management strategy. Port Nelsons' performance against budget is monitored by the Board, as is the overall performance.

# Meetings

The Port Nelson Board meets eleven times a year for 3 - 5 hours each: 21% of boards met 11 times per year, 39% of boards in our 2013 survey, met 11 times or more per year. 61% met less than 11 times per year.

This may signal the start of a trend if the economy remains flat without the need for monthly sessions. We also understand that a rising level of Board interaction occurs via conference calls in between formal meetings. – see Figure 1.

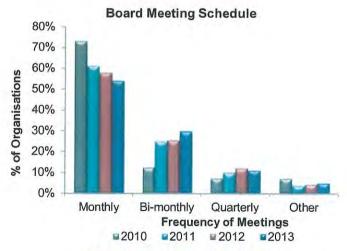


Figure 1 - Board meeting schedules

The average length of a Port Nelson meeting is 3 - 5 hours. 51% of boards met for 4 hours or less per meeting - see Figure 2.

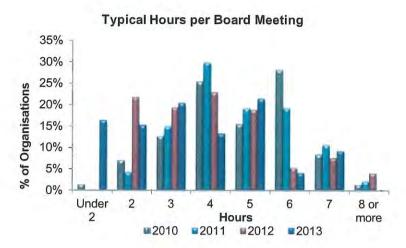


Figure 2 - Meeting duration

The Port Nelson board has a total of 2 committees, a total of 6 - 7 committee meetings per annum, with maximum length of a meeting being 2 hours. The average number of committee meetings per year for organisations with Remuneration is 2.4, for Finance is 5.9 and Risk is 4.3 per committee type, and the average meeting time is 2 hours. Port Nelson does pay additional fees for committee meetings. Survey participants were asked if extra fees were paid to some Directors for attendance at committees and the result was 27% indicated they did pay separate fees for attendance.

In addition to variation in meeting schedules, our graph below demonstrates considerable ranges of committee fees. For example, at the median, the Audit Committee Chair is paid \$5,000 p.a., but annual fees rise to an upper guartile of \$10,000.

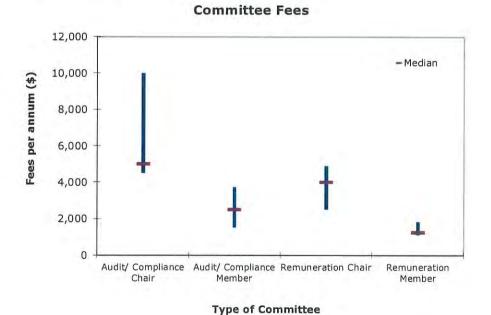


Figure 3 - Committee Fees

Port Nelson directors are not required to participate on another board. Our 2013 survey indicated that 46% of organisations required directors to participate on subsidiary or parent boards, and additional fees were paid in some cases.



# The Market Analysis

The survey is the basis of this report for understanding current trends and practices in the payment of Director Fees within New Zealand organisations. This was the 21st annual survey of its type conducted by Strategic Pay (the longest running survey of directors' fees in the country). It analysed data from 397 organisations with 2,279 individual directorships. All data is from the Non-Executive category.

# **Recent Movements in Fees**

The majority of respondents (54%) have reviewed their director fees in the last 12 months. The average annualised fee increase reported in the past year was 6.2%, compared with 5.7% 12 months ago. Sixty-seven percent of participating organisations had no annualised fee increases, compared with 56% in 2012. No respondents reported a decrease.

This suggests that most companies use the three year review cycle, consistent with anecdotal reports.

The survey reports the three year rolling averages and medians of fee increases as shown in Table 1.

Period	Ch	airs	Dire	ctors
Feriod	Median	Average	Median	Average
2011 - 2013	4.5%	4.5%	1.8%	2.3%
2010 - 2012	6.1%	4.9%	2.4%	4.5%
2009 - 2011	7.7%	1.6%	4.9%	6.4%

Table 1 - Three year rolling trend in Directors' Fee movements to 2013

Note: We have revised our Directors Fees market movements for 2010 – 2012. This has resulted in a slight change.

As illustrated below, the rate of increase may vary for Chairs compared with Directors. The increases occurring each year in both groups also show different patterns across time. The graph illustrates the overall trend in median director fees from 2006 to 2013.

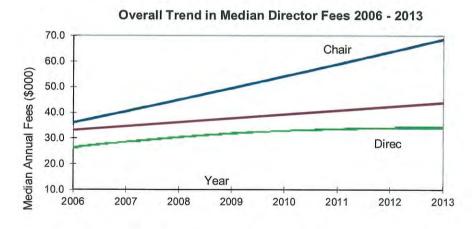


Figure 4 - Median Annual Fee increases

Strategic Pay recommends a formal annual review of Directors Fees, which may or may not result in an increase. This ensures that costs are known and therefore able to be controlled year on year, and minimises larger periodic increases.



# Fee increase projections

Forty-three (11%) organisations were able to indicate the average rate of increase to be applied at the next review. The average was 0.84% and median was 0.0%. Of the 43 who responded, most (84%) indicated they would be freezing fees for the coming 12 months consistent with anecdotal suggestions that fees are not typically increased on an annual basis. Excluding these 0.0% increases, the average increase to be applied at the next review was 5.1%, with the median at 3.0%.

# **Market Rate Calculations**

Our investigation considered the potential market alignment policy position for Port Nelson being based on the average of the four relevant categories (this is a common approach in the market). The tables below provide the market rates for organisations in general which are in the comparable range to Port Nelson for Revenue, Assets, Shareholder Funds and Employees. Averages of the four types of market rates are also provided. However, Port Nelson Board may consider one or more of the 4 measures to be the most relevant to directors of Port Nelson, and may accordingly choose to give greater weighting to the market rates associated with that measure.

Revenue Orgs with \$20.1m - \$50m
 Assets Orgs with \$100.1m - \$200m
 Shareholder Funds Orgs with \$100.1m - \$200m

Employees Orgs with 51 – 150

Market data was drawn from these categories in the survey and is displayed in Table 2, Table 3 and Table 4:

Non-Executive Chair							
Survey category	Lower Quartile	Median	Upper Quartile	Average			
Turnover (\$20.1m - \$50m)	\$45,000	\$53,000	\$73,875	\$59,140			
Assets (\$100.1m - \$200m)	\$45,123	\$60,000	\$84,496	\$65,543			
Shareholder Funds (\$100.1m - \$200m)	\$60,800	\$78,725	\$101,000	\$90,349			
Employees (51 - 150)	\$50,000	\$61,000	\$80,000	\$72,432			
Average	\$50,231	\$63,181	\$84,843	\$71,866			

Table 2 - Non-Executive Chair data

Non-Executive Deputy Chair						
Survey category	Lower Quartile	Median	Upper Quartile	Average		
Turnover (\$20.1m - \$50m)	\$29,014	\$36,775	\$50,000	\$41,061		
Assets (\$100.1m - \$200m)	\$30,475	\$39,250	\$48,500	\$39,558		
Shareholder Funds (\$100.1m - \$200m)	\$50,750	\$63,250	\$73,000	\$70,851		
Employees (51 - 150)	\$26,375	\$40,888	\$50,375	\$40,358		
Average	\$34,154	\$45,041	\$55,469	\$47,957		

Table 3 - Non-Executive Deputy Chairs' data



Non-Executive Directors						
Survey category	Lower Quartile	Median	Upper Quartile	Average		
Turnover (\$20.1m - \$50m)	\$22,741	\$29,400	\$37,500	\$30,707		
Assets (\$100.1m - \$200m)	\$23,000	\$30,500	\$40,427	\$32,870		
Shareholder Funds (\$100.1m - \$200m)	\$32,150	\$40,339	\$52,625	\$46,041		
Employees (51 - 150)	\$21,339	\$30,823	\$40,737	\$31,978		
Average	\$24,808	\$32,766	\$42,822	\$35,399		

Table 4 - Non-Executive Directors' data

When all four measures are used, this market approach shows the median annual fees for Chairperson's at \$63,000 (rounded), if median data is the policy alignment position. Currently the Chairperson of Port Nelson is paid a fee of \$59,000; this places Port Nelson between the lower quartile and median.

The median annual fee for Deputy Chairperson's at \$45,000 and \$34,000 at the lower quartile when all four measures are used. Currently the Directors of Port Nelson is paid a fee of \$29,500; this places Port Nelson below the lower quartile.

The median annual fee for Director's at \$33,000 all four measures are used. Currently the Directors of Port Nelson is paid a fee of \$29,500; this places Port Nelson between the lower quartile and median.

A median approach is appropriate given the time commitment on this Board and is inline with typical director commitment in the survey, and the complexities of these director roles.

# Recommendations

Based on our analysis of Directors' Fee information, together with our understanding of Port Nelson we are pleased to provide our recommendations on appropriate Directors' Fees for your Board.

Port Nelson should review their current fee levels taking into account the Strategic Pay Directors' Fees Survey data for organisations with similar characteristics to their own since the time of their last review. For Chairperson/Directors our database shows annual fee levels have increased by between 4.5% and 1.8% approximately in that period.

Fee levels, as compared to the defined market criteria above, are below the median for the Chair and other members. We recommend that Port Nelson should have levels of fees maintained at the median level given affordability and the organisations' performance. Currently we believe that the median is appropriate given the size and complexity of the organisation, and the nature of the directors' roles and time commitments.

A ratio of 1.5:1 to 2:1 between the Chair and other directors is standard market practice for organisations of this size. The ratio between Chair and Deputy Chair is usually between 1.5:1 to 1.75:1. Taking into consideration the additional workload of the Chair and the market data an approximate ratio of 2:1 has been calculated. We believe this is an appropriate stance to take.

When fee levels are reviewed and increased they are typically either calculated via market movements, market data or a combination of the two where appropriate. We understand fees were last reviewed in 2012, with an increase applying in 2010. We recommend that Port Nelson review its fee levels on the basis of market data, to those noted below:



## Recommendation

	Recommended Annual Fees	Current Annual Fees	%
Non-Executive Chairperson	\$64,000	\$59,000	8%
Non-Executive Deputy Chairman	\$32,000	\$29,500	8%
Non-Executive Director	\$32,000	\$29,500	8%

On the basis of our recommendations, Port Nelson Directors will maintain relative market position based on the market benchmarks relevant to the company.

We note that in addition to the fee levels provided above are committee fees.



# Appendix A: About Strategic Pay Limited

Strategic Pay is at the leading edge of developments in strategic remuneration and performance management solutions, offering a powerful combination of resources to help organisations improve their performance, ensuring remuneration and rewards are closely linked to business objectives.

# **Ensuring business success**

Superior organisation performance is having a future proof strategy, an organisational model and structure that supports the strategy and the right people matched to the accountabilities best designed to deliver the strategy. Strategic Pay's PLUS<sup>+</sup> business consists of experienced consultants delivering the PLUS<sup>+</sup> suite of change management tools.

# Strategic consultancy

The highly experienced consultancy team at Strategic Pay offers clients a depth of remuneration and performance expertise unmatched in the New Zealand market. Our team uses a sophisticated set of proprietary tools designed to integrate remuneration, performance and rewards management.

#### This includes:

- + Remuneration and reward strategy
- + Executive remuneration and performance
- + Incentive schemes, including STIs and LTIs
- + Base pay systems, including points, grades, bands or benchmarks using our proprietary job evaluation systems SP5®, SP10® and JobWise®
- + Salary review management, including processes, tools and training
- + Performance management systems, including customised design and implementation
- + Remuneration audit tools and processes

## New Zealand's largest data services offering

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry sector market surveys, based on a database of pay information for over 128,000 New Zealand employees from over 1,000 organisations. This rich data source gives our clients access to better and broader comparative information to effectively benchmark their remuneration and rewards packages.

# Our key nation-wide surveys and reports include:

- + NZ Remuneration Report (published 6 monthly)
- + CEO and Top Executive Remuneration Report
- + NZ Benchmark Report

- + Corporate Services and Executive Management
- + Directors' Fees Report
- + HR Metrics Survey

## Our specialist industry sector surveys include:

- + Association of Consulting Engineers NZ
- + Central Government
- + Chartered Accounting Firms
- + Electricity Transmission, Distribution and
- + Asset Management
- + Financial Services
- + HRINZ HR Practitioners
- + Independent Schools of NZ
- + Institutes of Technology and Polytechnics

- + Law Firms
- + Local Government (published 6 monthly)
- + Medical Technology Association of NZ
- + Not for Profit Sector
- + Patent Attorney
- + Pharmaceutical
- + Property
- + Retail Industry
- + Wine Industry

## Smart technology

We understand the needs of busy HR practitioners and have developed a range of smart automated tools to manage your remuneration and survey submission needs.

- + RemWise® salary management software for managing every aspect of remuneration management
- + spectREM® Strategic Pay's Web-enabled database
- + PayCalculator survey data at your fingertips
- + Rem On-Demand® provides access to accurate and exhaustive "real-time" information on remuneration trends and topical human resource issues in New Zealand.

#### **Building client capability**

We offer a suite of educational programmes designed to help you build your organisation's management capability and understanding in reward management. The Strategic Pay Academy provides clients with comprehensive short courses in Remuneration, Performance Management and Organisational Performance.

# **Procedure for Joint Appointment of Directors/Trustees** of Council Controlled Organisations and Council **Controlled Trading Organisations**

# Joint Policy of Nelson City Council/Tasman District Council

Hugh Kettlewell, Executive Manager Support Services Contact

Nelson City Council

Approved by Richard Johnson, Acting Chief Executive Nelson City Council /

Lindsay McKenzie, Chief Executive Tasman District Council

Date July 2012 July 2015 Review

# JOINT APPOINTMENT OF DIRECTORS/TRUSTEES

#### 1. Introduction

1.1 Nelson City Council and Tasman District Council jointly control or have significant shareholdings in several Council Controlled Organisations and in Port Nelson Limited, a port company registered in accordance with the Port Companies Act 1988. These are independent organisations, whose operations are governed by a Board of Directors or Trustees.

#### 2. **Purpose**

2.1 This Policy sets out the process for selection, appointment and review of Directors/Trustees jointly appointed to Port Nelson Limited, and to the Governing Boards of Council Controlled Organisations as per section 57 of the Local Government Act 2002.

#### 3. Criteria for Selection of Directors/Trustees

- The Joint Shareholders Committee must have regard to the gender 3.1. balance of each Governing Board when considering candidates for joint appointment or re-appointment.
- Any person jointly appointed a Director/Trustee of a Council 3.2 Controlled Organisation or Port Nelson Limited must:
  - Have completed the Institute of Directors course; or 3.2.1
  - 3.2.2 Have equivalent experience.

Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations Page 1 of 4 1295787

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- 3.3 The following qualities of candidates for joint appointment as Directors/Trustees must also be considered:
  - 3.3.1 Demonstrated ability to think commercially and financially about strategies, projects and the intelligent deployment of resources;
  - 3.3.2 Articulate, and able to communicate in a concise and clear manner;
  - 3.3.3 Demonstrated leadership skills, and prepared to be counted on important matters;
  - 3.3.4 Commitment to, and understanding of, the responsibilities of Directorships;
  - 3.3.5 Relevant business experience and/or the ability to gain an in-depth understanding of the company and its business area;
  - 3.3.6 Objectivity in decision making;
  - 3.3.7 Respect for colleagues and staff;
  - 3.3.8 High ethical standards;
  - 3.3.9 Proven commercial experience;
  - 3.3.10 Positive attitude to public ownership and the principles of good corporate citizenship;
  - 3.3.11 Financial acumen;
  - 3.3.12 Commitment to regional needs and priorities;
  - 3.3.13 Any other special considerations/requirements in respect of the specific organisation.

# 4. Process for Appointment of Directors/Trustees

- 4.1. The Joint Shareholders Committee will:
  - 4.1.1. Meet with the Chairperson of the relevant Governing Board to discuss specific requirements, and to consider whether there is any need for a variation of procedure under clause 8.1; and
  - 4.1.2. Retain a recruitment consultant as required to advertise the vacancy and develop a list of candidates.

- 4.2. The Joint Shareholders Committee may include on the list of candidates any persons recommended by the Chairperson of the Governing Board.
- 4.3. The Recruitment Consultant shall interview and carry out reference checks of persons on the list of candidates, having regard to the criteria listed in clause 3 above, and report a short list with recommendations to the Joint Shareholders Committee.
- 4.4. Nelson City Council and Tasman District Council will make the final decision to appoint Directors/Trustees, on the recommendation of the Joint Shareholders Committee.

# 5. Reappointment of Directors/Trustees

- 5.1. No Director/Trustee may be reappointed for a fourth successive term unless there are special circumstances.
- 5.2. Subject to the constitution of the organisation concerned, where a Director/Trustee's term of appointment is about to expire and they are offering themselves for reappointment, the Joint Shareholder's Committee:
  - 5.2.1 May make confidential enquiries from the Chairperson and other members of the Governing Board as necessary, including:
  - Whether the skills of the incumbent add value to the work of the Governing Board;
  - Whether there are other skills which the Governing Board needs;
  - Whether a change to the existing Directors/Trustees would compromise the Governing Board's ability to pursue a desired vision and long term strategy, or whether there is a need for new skills and ideas on the Board; and
  - 5.2.2 Must consider any information obtained and form a view on the appropriateness of reappointment or making a replacement appointment; and
  - 5.2.3 Must recommend to each Council whether reappointment is appropriate.
- 5.3. If reappointment is not appropriate, the appointment process outlined in Section 4 will be followed.

# 6. Remuneration of Directors/Trustees

Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations Page 3 of 4 1295787

- 6.1. Directors/Trustees shall receive fees in accordance with scales approved from time to time by each Council prior to the organisation's annual general meeting.
- 6.2. The Governing Board of the organisation will provide appropriate information and details of any proposal to request an increase in remuneration at least 3 months before the Council Controlled Organisation's Annual General Meeting.

# 7. Appointment of staff members or Elected Members as Directors/Trustees

- 7.1. No staff member or elected member of either Council may be jointly appointed as a Director/Trustee, except where good reason exists for doing so. Any report recommending the appointment or reappointment of a staff member or elected member of either Council must clearly explain the reasons for doing so.
- 7.2 Subject to clause 7.1, each Council may develop separate policies regarding the appointment of elected members as Directors/Trustees.
- 7.3 The procedures outlined in sections 4 and 5 apply to the appointment or reappointment of a Director/Trustee who is also a staff member or elected member.

# 8. Variation of Procedure

8.1. The procedures outlined in this policy may be varied to meet the requirements of the Organisation's rules, constitution, trust deed or other guiding document, provided that such variation meets the requirements of the Local Government Act 2002.



# **Joint Shareholders Committee**

27 July 2012

**REPORT 1295797** 

Review and Amendment of Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations

# 1. Purpose of Report

The purpose of this report is to review and amend the Policy for the Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations (the Policy).

# 2. Recommendation

<u>THAT</u> the amended Policy for the Procedure for Joint Appointment of Directors/Trustees of Council Controlled Organisations and Council Controlled Trading Organisations (1295787) be adopted.

# 3. Background

3.1 At the Nelson City Council Infrastructure and Community Services Meeting on Thursday 13 October 2011, Council resolved:

<u>AND THAT</u> a Policy on Directors' rotation be written for consideration by the Joint Shareholders Committee;

<u>AND THAT</u> the Joint Shareholder's Committee, in amending the Director's policy, include an upper limit on the number of terms that a director may serve.

- 3.2 The current Policy covers the appointment and re-appointment process for Directors of Nelson Airport Limited, Nelson Tasman Tourism, Tasman Bays Heritage Trust, and Port Nelson Limited.
- 3.3 The Policy was scheduled for review in September 2012. It is suggested that, should the proposed amendments be accepted, further review of the Policy be postponed until July 2015.

Attachment 4

- A draft policy was submitted to the Joint Shareholders Committee at the meeting 5 December 2011 and there was discussion particularly in relation to maximum tenure but no resolution. The general tenor of the discussion was that clause 5.1 should at least be softened to allow consideration of long serving directors rather than a hard cap of tenure.
- 3.5 In the interim Nelson City Council has adopted an amended appointment policy (Attachment 1) that includes consideration of length of tenure rather than a hard cap.

# 4. Discussion

- 4.1 Three main amendments to the Policy have been made (refer Attachment 2):
  - A review of the Corporate Governance principles underpinning the Policy, including the incorporation of an upper limit on the number of terms a Director may serve, and consideration of gender balance on each Governing Board (paragraphs 4.2-5.9; Policy clauses 3.1 and 5.1 refer);
  - The Policy now codifies the current practice of each Council regarding the appointment of staff members and elected members as Directors/Trustees (paragraphs 5.10-5.11; Policy clauses 7.1-7.3 refer); and
  - Editorial changes have been made to improve the understanding of the Policy (paragraph 5.12 refer).

## **Number of Terms**

- 4.2 At the Nelson City Council meeting on Thursday 13 October 2011, there was a discussion about the number of terms a Director should serve on joint Council Controlled Organisations and Council Controlled Trading Organisations. Council formed the view that, while there was value in the experience and the expertise of long-serving Directors, it was also desirable to have an injection of fresh ideas that talented new Directors could bring to the table.
- 4.3 This view is consistent with the Corporate Governance in New Zealand Principles and Guidelines, issued by the Financial Markets Authority. Principle 2 states that "There should be a balance of independence, skills, knowledge, experience, and perspectives among directors so that the board works effectively", which encourages diversity in the appointees to Director/Trustee positions.

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<sup>&</sup>lt;sup>1</sup> Corporate Governance in New Zealand: A Handbook for Directors, Executives and Advisers, Reprinted February 2011. This is similar to the ASX Corporate Governance Council Principles, which encourage companies to 'structure the Board to add value' (Principle 2) and 'Promote ethical and responsible decision-making' (Principle 3).

- The Policy has been amended to state in Clause 5.1 that "No Director/Trustee may be reappointed for a fourth successive term unless there are special circumstances". This length of time safeguards the strategic vision and long term strategy of each organisation, while still allowing the opportunity to capture the skills and knowledge of new talented candidates. Including a limit on the number of terms Directors/Trustees may serve will also cause the active management of succession planning for the Governing Board of each organisation.
- 4.5 The effect of this change in Policy would mean that one Director of Nelson Airport may not be eligible for reappointment in 2012 and 2013, and two Directors of Port Nelson Limited may not be eligible for reappointment in 2014.

# **Gender Balance on Governing Boards**

- 4.6 In considering the role of diversity in the Corporate Governing Principles embedded in the Policy, it is also important to consider the gender balance of each Governing Board.
- 4.7 Commentary to the ASX Corporate Governance Council Principles places an emphasis on the desirability of achieving gender balance on Governing Boards, noting that "diversity is an economic driver of competitiveness for companies...(and) gender diversity on boards is associated with better financial performance".<sup>2</sup>
- 4.8 While diversity is to be encouraged, it would be short-sighted for the Policy to require gender balance on each Governing Board, as this in itself could exclude talented directors from the appointment process. Instead, clause 3.1 of the amended Policy requires the Joint Shareholders Committee to have regard to the gender balance of each Governing Board when appointing or re-appointing Directors/Trustees.
- 4.9 There is currently a gender mix on each of the Governing Boards.

  Therefore, this amendment to the Policy should be viewed as codification of current practice.

# **Appointment of Staff Members and Elected Members**

4.10 The amended Policy now states that no staff member or elected member of either Council should be appointed as a Director or Trustee, unless good reason exists for doing so. It specifies that any recommendation to appoint or reappoint a staff member or elected member must be accompanied by a report stating the reason for the recommendation. The Policy also states that each Council may develop separate policies regarding the appointment of elected members as Directors/Trustees.

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<sup>&</sup>lt;sup>2</sup> See commentary to ASX Corporate Governance Council Principle 3, encouraging the promotion of 'ethical and responsible decision-making'.

- 4.11 Currently there are no Nelson City Council staff members or elected members appointed as Directors/Trustees to any Council Controlled Organisations or Council Controlled Trading Organisations. This practice supports the independence of each organisation's Governing Board decision-making process and prevents elected members from being placed in a position that could potentially lead to a conflict of interest, or having or being seen to have a pre-determined view on any matter.
- 4.12 The separation between Directors/Trustees and staff members and elected members also allows elected members the opportunity to assess the performance of the Governing Boards in a fair and independent manner. Elected members can also take comfort from the fact that the selection of Directors/Trustees has been based on merit alone, and in accordance with the criteria set out in the Policy.

# **Editorial Changes**

4.13 Editorial changes have been made to the Policy to increase the ease of use and understanding of the Policy. Aside from the changes noted above, the editorial changes do not otherwise alter the substance of the Policy.

## 5. Conclusion

The amended Policy contains three substantive changes. Corporate Governance principles have been reviewed to include a limit on the number of terms a Director may serve unless there is good reason not to, as well as an aspiration to achieve gender balance on each Governing Board. It also codifies the current practice of each Council with respect to staff members and elected members serving as Directors/Trustees, and clarifies that no Nelson City Councillor may be appointed or reappointed as a Director/Trustee. There are no other substantive changes to the Policy.

Contact officer: Hugh Kettlewell, Executive Manager Support Services

Richard Johnson

# **Acting Chief Executive**

#### Attachments

Attachment 1: Nelson City Council Policy for the Appointment of Directors/Trustees 1197406

Attachment 2: Draft Nelson City Council/Tasman District Council Policy for the Joint Appointment of Directors/Trustees, with amendments 1295787

No supporting information follows.



## 0.0 NELSON AIRPORT LTD - DIRECTORS' FEES

**Decision Required** 

Report To:

Joint Shareholders Committee

Meeting Date:

13 September 2013

Report Author:

Mike Drummond, Corporate Services Manager

Report Number:

# 1 Summary

- 1.1 The Board of Nelson Airport Ltd has requested an increase in directors' fees of 15.5% (\$12,600) from the 2013/14 year. This level of increase is supported by a Strategic Pay survey of directors' fees.
- 1.2 Directors' fees for the company were not increased last year as the two shareholding councils could not come to a common agreement on any fee movement. With the exception of last year, the movements in the last four years have been inflation only.
- 1.3 There is an increasing gap between the current fees and the market rate. This gap may impact on the company's ability to attract quality directors.
- 1.4 Directors' fees are an area that would benefit from an agreed methodology and a consistent approach being adopted by both shareholders and being applicable to all council controlled organisations (CCOs) in joint ownership.

# 2 Draft Resolution

#### That the Joint Shareholders Committee:

- 1) receives the Nelson Airport Ltd Directors' Fees Report; and
- 2) agrees that an increase in directors fees for Nelson Airport Ltd is appropriate; and
- 3) recommends to Nelson City Council and Tasman District Council that the directors' fees for Nelson Airport Ltd be increased by ......% (between 4.3% and 15.5%); and
- 4) recommends to Nelson City Council and Tasman District Council that they request staff to jointly prepare an agreed approach and methodology for a joint policy on determining the appropriate level of directors' fees for CCOs in joint ownership; for Council consideration in 2014.



#### **NELSON AIRPORT LTD - DIRECTORS' FEES**

# 3 Purpose of the Report

3.1 To consider a request for an increase in directors' fees of 15.5% for Nelson Airport Ltd Directors, after a letter was received from the Company on 13 August 2013.

# 4 Background and Discussion

- 4.1 At the Joint Shareholders' Committee meeting of 14 September 2012, a recommendation suggested that the Nelson Airport directors' fees be increased by 8.64% for the following 12 months (2012/13 financial year).
- 4.2 After robust discussion it was agreed that insufficient information had been provided by Nelson Airport Ltd to justify the requested increase. The following resolution was passed:
  - "THAT the Nelson Airport Directors' fees are increased in the interim by 4.3% for the next 12 months; AND THAT Nelson Airport Limited be requested to submit a detailed case for any amended directors' fees based on the airport sector and any other relevant information for consideration by the Nelson City Council/Tasman District Council Joint Shareholders Committee next year."
- 4.3 The recommendation from the Joint Shareholders' Committee was agreed to by the Tasman District Council. However after due consideration the Nelson City Council determined that the directors' fees should only be increased by the rate of inflation. As there was no agreement between the shareholders the directors' fees remained unchanged from previous years.
- 4.4 In August 2013 Paul Steere, Chair, Nelson Airport Ltd wrote to Hugh Kettlewell, Executive Manager Support Services, Nelson City Council, updating their review and representations for an increase in directors' fees which they made in August 2012, having regard to the latest Strategic Pay survey information. The letter (attachment 1) requested an increase of \$12,600 or 15.5%.
- 4.5 The Board has based their request on a Strategic Pay survey of directors' fees. The survey supports their position that there is now a substantial gap between the sector norms and the current directors' fees.
- 4.6 Directors' fees for the Board over the past 4 years have moved by inflation, or not at all.

  This is resulting in the gap between the current fees and the market increasing significantly.

  Fees can vary considerably within the market depending on sector, enterprise, size and probably location. An increase of 33% would be necessary to bring the current fees into line with the median.
- 4.7 Directors' fees are an area that would benefit from an agreed methodology and a consistent being adopted by both shareholders and being applicable to all CCOs in joint ownership.



## **NELSON AIRPORT LTD - DIRECTORS' FEES**

- 4.8 There are three options identified.
  - 4.8.1 Option one Not to agree to an increase in directors' fees at this time. If this option is chosen then the gap between the current fees and the market will widen further. In the medium to long term that is likely to be a significant factor in reducing the Company's ability to attract quality professional directors.
  - 4.8.2 Option two to increase the directors' fees by the rate of inflation (CPI) over the last two years. That would be an upward movement of approximately 1.6% (Q2 2011- Q2 2013). This would have similar effects to option 1.
  - 4.8.3 Option Three to increase the fees by an amount between 4.3% and 15.5% increase requested by the Board. This would close the gap between the current fees and the market. It would not take the fees to the median market rate.

# 5 Policy / Legal Requirements / Plan

- 5.1 The Committee has no delegated authority to determine directors' fees and will be making a recommendation to both Councils.
- 5.2 The agreement of both shareholders is required for a resolution to increase the directors' fees to be passed at the annual meeting.

# 6 Consideration of Financial or Budgetary Implications

6.1 There are no budgetary or financial implications for either Council. The increased fees will be met by the Airport Company and will not impact on its ability to meet the dividends forecast in the current SOI.

# 7 Significance

7.1 The decision is considered to be of low significance. However there is likely to be a level of public interest in the outcome.

# 8 Consultation

8.1 No formal consultation is required.

#### 9 Conclusion



#### **NELSON AIRPORT LTD - DIRECTORS' FEES**

9.1 The directors' fees for Nelson Airport should be increased to reduce the gap between the current fees and the median market rates. The request from the Board for a 15.5% increase is supported by the Strategic Pay survey. In the recent past the increases in directors' fees have been less than that requested and as a result there is an increasing gap between the fees and current market rates. The level of directors fees is a sensitive matter for both shareholders, therefore it's recommended that any increase be at a low to moderate level. This would suggest a starting point of 4.3%pa.

# 10 Next Steps / Timeline

- 10.1 The Joint Shareholders Committee recommendation will be considered by both Councils at their next Council meeting.
- 10.2 The outcome of that consideration will be advised to the Company Board. The Councils will vote accordingly at the annual meeting.

#### 11 Attachments

ATTACHMENT 1. Nelson Airport Ltd Letter <u>1576247</u>



Mr Hugh Kettlewell **Executive Manager Support Services Nelson City Council** P.O. Box 645 Neison

Helping Nelson Take Off For

RECEIVED

28th August 2012

Dear Hugh

NELSON CITY COUNCIL Customer Service

13 AUG 2013

Re Shareholder Approvals - Director Fees

Just under a year ago (28th August 2012), we made submissions on a recommended amendment to the Directors Fees after having regard to the Industry comparators provided from the Strategic Pay Survey in 2012. The recommendation was to raise total fees to \$88,000 an increase of 8.6% which indicated the distance we were below industry comparators and indeed remained some way behind.

Regrettably no change was able to be determined by Shareholders.

We have now been asked to update our review and representations having regard for the latest Strategic Pay survey information.

The following tables reflect the standing of the current governance positions against relevant comparators available from the survey report.

Non Executive Chair	Lower Quartile	Median	Upper Quartile	Average	Sample Size
Public Sector Organisation - Local Body Owned	\$40,000	\$64,000	\$79,000	\$59,573	17
Annual Turnover < \$5 million	\$29,650	\$44,000	\$50,000	\$43,703	13
Assets \$5.1- \$10m	\$31,106	\$39,645	\$51,719	\$44,380	12
Shareholder Funds \$5.1- \$10m	\$27,750	\$32,734	\$58,750	\$83,871	16
Weighted average (by sample size)	\$32,460	\$45,853	\$61,269	\$59.575	
Current Nelson Airport Chair Fees		\$24	600	, , , ,	
Comparison weighted average	-24%	-46%	-60%	-59%	
Comparison Lowest return	-11%	-25%	-51%	-44%	

Directors	Lower Quartile	Median	Upper Quartile	Average	Sample Size
Public Sector Organisation - Local Body Owned	22488	35000	41200	חדחכנ	110
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Annual Turnover < \$5 million	13917	20500	35078	24186	80
Assets \$5.1- \$10m	14100	19100	22650	21422	50
Shareholder Funds \$5.1- \$10m	14400	18250	34845	43542	42
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Weighted average (by sample size)	\$17,401	\$25,639	\$35,270	\$30,065	
Current Nelson Airport Directors Fees	\$13,800				
Comparison weighted average	-21%	-46%	-61%	-54%	
Comparison Lowest return	-2%	-24%	-39%	-36%	

New Zealand Airports Association Airport of the Year 2008, 2010 & 2012" The gap between Sector norms and the current rates for Nelson Airport is now substantial.

This follows on from previous adjustments being limited to inflation and no adjustment last year. Essentially there has been no reflection against market for 4 or more years.

Governance Fees are not just fair and equitable compensation for input and effort but are also designed to reflect and attract the specific skills and experience that will steward and develop the enterprise in keeping with the needs of all stakeholders. Hence there can be significant variation according to sector, enterprise and size. That notwithstanding there is reasonable equity in aligning against median in order to recognise the skills, experience and demand. Against that denominator we are more than 24% short (ie an increase of 33% to correct!).

Given the history, an incumbent Board of excellent skills and abilities, the undoubted lack of appetite by shareholders to currently correct the clear anomalies against market then we can only make a subjective recommendation as follows:-

Chair \$28,000 Deputy Chair \$17,600 Directors \$16,000

This is a total of \$93,600, an increase of \$12,600 or 15.5% {7.7% per year over last two years}

We await Shareholders' consideration and determination.

Paul Steere

Yours sincerely

Chair

Nelson Airport Limited