

2011/2012

# Wellington Cable Car Limited STATEMENT OF INTENT



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## INTRODUCTION

This Statement of Intent has been prepared by Wellington Cable Car Limited (WCCL), as required by the Local Government Act 2002 for a Council Controlled Trading Organisation (CCTO).

WCCL was established in 1991 as a CCTO by Wellington City Council, to:

- a) Own, maintain and operate the Wellington Cable Car system from passenger fare income (i.e. without public passenger transport subsidies); and
- b) Own and maintain the Wellington trolley bus overhead wire network in order that it can be utilised to provide trolley bus services, as specified in a contract between the Greater Wellington Regional Council (GWRC) and its nominated bus company. WCCL's maintenance of the trolley bus overhead network is met by payments from GWRC.

## PURPOSE OF STATEMENT OF INTENT

The purpose of a Statement of Intent (SOI) is to publicly state the activities and intentions of WCCL for the period encompassed by the SOI. It provides Wellington City Council (WCC), as the shareholder, with the opportunity to influence the direction of the company. The SOI also provides a basis for accountability of the Directors of WCCL to the shareholder, for the performance of the company.

This SOI sets out the objectives and performance targets for WCCL for the twelve months to 30 June 2012, and describes the nature and scope of the activities to be undertaken by WCCL to achieve its objectives and performance targets.

## BOARD STRUCTURE AND FUNCTION

The Board of Directors normally comprises three members. All are appointed by WCC for varying terms, according to WCC policy.

The Chairman is appointed by WCC.

The Board is currently formally meeting bi-monthly.

Note: as at the date of this SOI, WCCL has two Directors only, but this constitutes a quorum under the company's constitution. It is anticipated a replacement director will be appointed by the shareholder.

## RESPONSIBILITIES OF THE DIRECTORS

The responsibilities of the directors include:

1. Exercising prudence and skill in their governance of the company, and to act in accordance with the requirements of the Companies Act 1993 and all other relevant legislation in the execution of their duties;
2. Managing WCCL to meet:
  - The objectives of WCCL's Board;
  - General objectives of WCC for WCCL as expressed from time to time;
3. Monitoring and addressing policy, solvency and statutory matters of the company;
4. Monitoring all of the company's activities and ensuring the company acts in accordance with its stated objectives.

## DELEGATED FUNCTIONS

The Board of Directors delegates the day to day management of the company to the Management team, who are required to act in accordance with the Board's approved delegations policy.

## BOARD PERFORMANCE REVIEW

The Board of Directors annually undertakes a review of its performance as a Board and as individuals on the Board.

## PRIMARY BUSINESS ACTIVITIES OF WCCL – NATURE AND SCOPE

The primary business activities of WCCL are:

1. Provision of the Cable Car passenger service, to meet the needs of local commuters and other users from within New Zealand and internationally, financed from passenger fare income and any additional revenue developed from increasing WCCL's tourism related activity;
2. Provision of the trolley bus overhead network for use by trolley bus services in Wellington City, with income from payments by GWRC under a contract, on a cost recovery basis, to cover reactive and planned maintenance of the existing overhead network;
3. Maintain WCCL's pole network funded via a contract with GWRC and pole user charges from utilities using WCCL's poles to support their networks; and

4. Infrastructure-related activities undertaken within Wellington City on a profit earning basis, being:
  - i) Projects initiated by third parties requiring the overhead network to be relocated and/or modified;
  - ii) Protection of the trolley bus overhead network from damage by escorting high loads through the city, and protection of parties requiring safe access in proximity to overhead lines by de-energising the lines

## THE OBJECTIVES OF WCCL'S BOARD

1. Effective management of the primary business activities of WCCL;
2. Safety in order to meet statutory requirements and to provide the appropriate levels of service reliability;
3. Ensuring the ongoing safe and efficient operation of the Cable Car system;
4. Ensuring the ongoing safe and efficient operation of the Trolley Bus Overhead Network;
5. Customer service standards such that the cable car business is enhanced and meets or exceeds standards measured through ratepayer surveys conducted by WCC;
6. Effective management of WCCL's transition from a Public Benefit Entity to a Profit Oriented Entity;
7. Earning an appropriate rate of return on the pole assets through revenue from the pole users (GWRC and utilities);
8. Ensuring that the trolley bus overhead network costs are not subsidised by other activities of WCCL;
9. Ensuring that the company's risk profile is appropriate, through review of the Risk and Vulnerability schedule prepared by management. This schedule identifies risks and their impacts, and the actions necessary to mitigate or control the risks;
10. The routine management reports to the Board of Directors will continue to identify issues which impact on the companies risk profile;
11. The company's management of risk will be reviewed and reported upon by the Auditor on an annual basis;
12. External resources will be deployed to supplement the skills that are held by Directors, management and staff;

13. Practice environmental responsibility with respect to the company's activities, by considering the effects of its activities on climate change, waste minimisation and carbon costs, and planning and implementing practical responses;
14. Ensuring that actions arising from specific topics raised by WCC in its Letter of Expectations for 2011/12 (as noted in a following section) are appropriately planned and implemented.

## GENERAL OBJECTIVES OF WCC FOR WCCL

In its Letter of Expectations dated 25 January 2011, WCC has noted its general objectives for WCCL. The following table records the activities that WCCL will undertake to meet WCC's general objectives for WCCL.

**Table of General Objectives of WCC for WCCL**

<b>WCC General Objectives</b>	<b>WCCL Activities to meet WCC's General Objectives</b>
<p><i>i) Have partnership approach with WCC and other CCOs</i></p>	<p>The company will:</p> <ul style="list-style-type: none"> <li>a) Communicate with the Shareholder on a regular basis particularly after Board meetings;</li> <li>b) Remain committed to its relationship with WCC, and ensure a “no surprises” policy of open communication;</li> <li>c) Co-operate with other CCOs in developing future packages and enhancements for tourism related activities, including planning for Rugby World Cup 2011.</li> </ul>
<p><i>ii) Have a regional focus, where this is appropriate</i></p>	<p>The company's Marketing Plan will include attracting visitors from other regions of New Zealand and internationally.</p>
<p><i>iii) Appropriately acknowledge the contribution of WCC</i></p>	<p>The company includes WCC logos on marketing material and communications where appropriate.</p>
<p><i>iv) Achieve maximum effectiveness and efficiency of, and concentrated focus on, service delivery</i></p>	<p>The company will:</p> <ul style="list-style-type: none"> <li>a) Manage the operation of the cable car within the timetable to maximise the throughput of passengers without detracting from the overall experience of visitors to the facility;</li> <li>b) Manage the cable car assets through its Cable Car Asset Management Plan, anticipating potential obsolescence and failure modes with the objective of having zero breakdowns;</li> <li>c) Train cable car staff to ensure that breakdowns due to operator error are minimised;</li> <li>d) Manage the maintenance of the trolley bus overhead network through its Trolley Bus Overhead Network Asset Management Plan, with the objective of minimising breakdowns and facilitating an effective trolley bus service, as required by the GWRC and the trolley bus operator;</li> <li>e) Monitor overseas developments in equipment and techniques and adopt as appropriate.</li> </ul>



**Table of General Objectives of WCC for WCCL**

<b>WCC General Objectives</b>		<b>WCCL Activities to meet WCC's General Objectives</b>
v)	<p><i>To operate at better than breakeven after depreciation expense, enabling, as agreed by the shareholder, retention in accordance with the Dividend Policy of the amount that would otherwise be paid as dividend to the shareholder, for the purpose of partially funding the replacement of the Cable Car's Kelburn Terminus.</i></p>	<p>The company will:</p> <ul style="list-style-type: none"> <li>a) Continue to develop other sources of income arising from the ownership and management of its assets: <ul style="list-style-type: none"> <li>• Provide third party services on a commercial basis;</li> <li>• Establishing pole user charges from all parties utilising WCCL's pole assets;</li> </ul> </li> <li>b) Continue to use reasonable endeavours, (working within GWRC processes and in consultation with WCC) to seek adequate contract payments from the Greater Wellington Regional Council to cover the trolley bus overhead expenditure necessary to provide adequate asset maintenance;</li> <li>c) Set revenue targets for the cable car operation to cover the operation and maintenance expenditure.</li> </ul>

## OBJECTIVES FOR SPECIFIC TOPICS – 2011/12

Discussion of specific topics for WCCL raised by WCC in its Letter of Expectations for 2011/12:

### 1. Rugby World Cup 2011:

- a. Ensure that all preparations are complete for provision by the cable car of a high level of service;
- b. Maintenance on the cable cars and facilities to be programmed to minimise disruption during RWC 2011;
- c. Maintenance and replacement work on the trolley bus overhead network to be programmed to minimise disruption during RWC 2011;
- d. Planned Activities:
  - i) The large scale maps that WCCL has created to illustrate the attractions that can be accessed using the Cable Car will be fixed to wall display spaces in Cable Car Lane, to assist visitors plan their activities.
  - ii) An information desk and display area will be set up in the Lambton Quay Terminus waiting area, to provide personal assistance and guidance to the local attractions (Cable Car Museum, Carter Observatory, Zealandia, Botanic Gardens, Museum of Wellington City and Sea). These attractions have expressed willingness to provide staff to be in attendance.
  - iii) If requested by the local attractions, operate the Cable Car for extended evening hours to support their programmes.
  - iv) Track-side areas between Lambton Quay and Kelburn, replanted in joint venture with Botanic Garden, with WCCL taking responsibility for ongoing maintenance.
  - v) We will look for opportunities to complement the events of the Festival of Carnivale.

### 2. Co-operation in Promotional Activities

- a) WCCL will continue to participate in co-operative promotional activities with PWT (e.g. hosting of trade visitors, joint ticketing offers).
- b) WCCL proposes to develop portable display units for placement at the attractions associated with the Cable Car, to encourage travel on the Cable Car and pass-on of visitors between them.

### 3. Cable Car Passenger Numbers

The budget for 2010/11 was set in the early months of 2010, when there were predictions that the economy would be picking up for 2011 and this optimism was factored into WCCL's Annual Plan for 2010/11. WCCL budgeted there would be 900,200 passengers by the end of Q3 2011, (31 March). As the analysis of fare trips by type below shows, total passengers to Q3 2011 were 837,390 a shortfall against Budget of 63,000 (7%). However, when compared to Actual 2009/10 passengers to Q3 2010, the shortfall is 16,000 (2%).

Analysis of Trips by Fare Type						
Trip Type	2008/09		2009/10		2010/11	
	To 31 Mar	Annual	To 31 Mar	Annual	To 31 Mar	Annual
Adult Visitor (Cash Fares)	379,979	462,887	407,513	488,607	407,826	N/A
Adult Concession	92,293	121,370	86,452	114,082	86,828	N/A
Student	319,471	422,757	250,936	334,182	227,801	N/A
Child	27,898	35,536	27,908	35,877	32,065	N/A
Senior Citizen	29,163	38,683	30,736	40,109	29,935	N/A
Family Group	49,642	62,827	49,655	61,245	52,935	N/A
<b>Totals to 31 March</b>	<b>898,446</b>		<b>853,200</b>		<b>837,390</b>	
<b>Annual Totals</b>		<b>1,144,060</b>		<b>1,074,102</b>		<b>N/A</b>

We were concerned earlier in this year that two categories of trip type – Student and Adult Concession (equated to local commuters) in particular were falling behind the previous year, without apparent reason. WCCL therefore commissioned market research to establish the reasons for this decline, in case the cause was incorrectly attributed to economic conditions. The analytical results of the survey have not yet been received, but are expected by the end of May 2011; hence no informed comment can yet be made.

However, it is noted that to Q3 2011, Adult Concession passenger numbers are holding steady, while Student passenger numbers continue to fall when compared to the same period of the previous year.

We will be guided by the survey results in preparing our strategy to reverse the unfavourable trend.

#### **4. Kelburn Tourist Precinct**

WCCL will remain an active participant in the activities of the Kelburn tourist precinct group. The effectiveness of attractions signage in the immediate area is an issue that requires resolution in the short term.

#### **5. Redevelopment of the Kelburn Terminus**

Preliminary work is underway for the redevelopment of the Kelburn terminus.

Competitive submissions from selected architects have been sought, which are due for presentation by the end of May 2011. A brief was prepared for this process, which includes a number of operational and maintenance functionalities, in addition to seeking community objectives expressed as follows:

- i. A clean and serviceable transport terminus appropriate in design and robustness for Wellington and specifically the site;
- ii. Captures the view and drama of the Cable Car experience for both the citizens of Wellington and visitors to the City.

Construction is scheduled to begin in April 2012, after RWC 2011 and the cruise ship season for 2011/12.

#### **6. Charges for access and use of trolley bus poles.**

WCCL wishes to obtain an acceptable rate of return on its investment in trolley bus poles, which are also used by telecommunications and electricity utilities to support their networks. WCCL's ability to charge for their access and use of the trolley bus poles is made difficult by the ambiguous wording of the relevant legislation which WCCL sought to get clarified. Unfortunately the Government has turned our request down. In the absence of legislation to clearly support WCCL's ability to achieve an acceptable rate of return, WCCL currently has work underway to formulate an interim pricing regime, albeit at a more nominal level.

#### **7. Technical Review Group**

A draft report has been prepared, which it is anticipated will be presented to stakeholders (WCC and GWRC) in June 2011.

## RISK MANAGEMENT

The company's Risk Management Policy is that risk is assessed on at least an annual basis and documented in the Risk and Vulnerability Schedule, under the following categories of risk:

- a) Financial
- b) Disaster Recovery and Systems backup
- c) Assets and their Management
- d) Personnel Management
- e) Statutory Risks
- f) Commercial Risks

In each category all aspects of the business are considered and the level of risk assessed and mitigation actions determined as appropriate. The Board of Directors considers Risk and Vulnerability issues as they arise, updates the Risk and Vulnerability Schedule as required, and formally reviews the Schedule annually.

As the nature of the business involves electrical and mechanical equipment, as well as involving passenger transport, day to day business involves frequent assessments of the risks.

It considers WCCL has the following risks that have a high risk assessment:

Risk Defined	Risk Assessment	Method of Control
<b>Assets and their Management</b>		
Potential risk of the trolley bus overhead network not having adequate protection against short circuits.	High	Mitigation Steps: <ul style="list-style-type: none"> <li>- Electrical protection consultant engineer engaged to design solution.</li> <li>- Regular inspection regime initiated, to continue until protection equipment installed.</li> </ul>
<b>Financial</b>		
In the event of earthquake damage to cable car assets, WCCL may have insufficient funds to meet maximum cost of excess/deductible under Material Damage Insurance policy.	High	Mitigation methods to be determined. Consider: <ul style="list-style-type: none"> <li>- Amending Insurance Policy terms.</li> <li>- Investigate financing methods including self-insurance reserve fund.</li> </ul>
In the event of earthquake damage to trolley bus overhead network, WCCL may have insufficient funds to meet cost of reinstatement of trolley bus overhead network.	High	Mitigation methods to be determined. Consider: <ul style="list-style-type: none"> <li>- Obtain insurance cover</li> <li>- Notify Greater Wellington Regional Council, NZ Bus, and network utility companies with assets fixed</li> </ul>

to the poles.

## **PROCEDURE FOR SHARE ACQUISITIONS, PURCHASE/SALE OF ASSETS**

The Company will only issue shares or acquire shares in other companies or become a partner with any other business with the express prior permission of WCC.

The Company will fully investigate and report to WCC any proposal to enter into partnerships or to sell any buildings or other significant assets before commitments are entered into.

## PERFORMANCE TARGETS AND OTHER MEASURES FOR 2011/12

### CABLE CAR SERVICE PERFORMANCE MEASURES

<b>Performance indicator</b>	<b>Measure</b>	<b>Target/Result</b>
Cable car vehicles, track, tunnels, bridges, buildings and equipment are maintained to required safety standards	Approval by NZTA to be obtained each year.	Timely approval received
Cable Car service reliability	Percentage reliability	Greater than 99%
Cable Car Service has Qualmark endorsement to confirm that the Cable Car Service meets established tourism standards	Qualmark endorsement held.	Qualmark endorsement maintained

### TROLLEY BUS OVERHEAD NETWORK SERVICE PERFORMANCE MEASURES

<b>Performance indicator</b>	<b>Measure</b>	<b>Target/Result</b>
Inspection, maintenance and repair of trolley bus overhead network are carried out to provide appropriate levels of reliability	Number of network failures due to inadequate maintenance	Nil failures
Trolley Bus Overhead Network Draft Asset Management Plan prepared	Draft Asset Management Plan completion	Draft Annual AMP 2012/13 prepared by 30 August 2011
Trolley Bus Network Poles identified in AMP 2011/12 as requiring urgent and critical replacement are programmed for replacement	Pole replacements completion	Completed in accordance with the programme
Overhead components replacement or repairs	Component programme completion	Replacement completed in accordance with the

		programme
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<b>Performance indicator</b>	<b>Measure</b>	<b>Target/Result</b>
WCCL pole occupants have formal contracts and appropriate pole user charges are being paid.	Number of contracts current	All recent users have current contracts.  All "Existing Works" users have contracts signed by 30 June 2012.
GWRC funding agreement being complied with.	Number of breaches of agreement	Nil breaches by WCCL
Performance requirements in the GWRC Trolley Bus Overhead funding agreement are met.	GWRC Contract payments received  Other Contract Requirements	Paid in accordance with agreed funding levels  No complaints from GWRC

#### ALL OF WCCL ACTIVITIES PERFORMANCE MEASURES

<b>Performance indicator</b>	<b>Measure</b>	<b>Target/Result</b>
Compliance with appropriate regulations and statutes	Number of adverse comments from the relevant regulatory authorities.	Nil adverse comments
Budgetary requirements approved by the WCCL Board are met	Degree of variance from budget	Within 10% or Board approved variance
Board delegations are adhered to	Board and management approvals of commitments and expenditure	All approvals of expenditure and commitments are in accordance with delegations policy
Company Risks and Vulnerabilities are maintained at an acceptable limit and identified in the Risk and Vulnerability register.	Number of Risk and Vulnerabilities not identified, and where possible, mitigated to an acceptable limit	Nil Risks and Vulnerabilities not identified  Nil Risks and Vulnerabilities not mitigated to acceptable limit
Contribute to review of back office functions	Positive participation in the back office review to be undertaken for efficiency gains	Participation assessed to be positive



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## CABLE CAR PATRONAGE

### TRIPS PAID BY MULTI-TRIP CONCESSION TICKET

2011/12	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Passenger trips	80,800	46,600	82,700	71,500	281,600

### TRIPS PAID BY CASH (SINGLE OR RETURN)

2011/12	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Passenger trips	168,000	242,500	272,800	144,100	827,400

### ALL PASSENGER TRIPS

2011/12	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Passenger trips	248,800	289,100	355,500	215,600	1,109,000

## WELLINGTON RESIDENTS SATISFACTION SURVEY:

The annual survey conducted by WCC asks the questions below:

<b>Question</b>	<b>Target</b>
Have you used the cable car in the last 12 months?	30% of respondents have used cable car
How do you rate the standard and operational reliability of the cable car (Good/Very good)	95% of respondents with some knowledge of the cable car rate it Good/Very good

## DIVIDEND POLICY

The company will pay the shareholder a dividend payment which is 60% of Net Profit after tax subject to consultation and the agreement of the shareholder with respect to any earnings to be retained in lieu of payment as dividend, to meet the cost of capital development programmes.

## INFORMATION PROVIDED TO THE SHAREHOLDER

Reports will be provided to the shareholder as required by legislation and as mutually agreed.

These include:

Details relating to any proposal by the company to diversify the range or scope of activities beyond those described in this Statement of Intent.

A quarterly report in respect of all activities of the company that will include comment on the performance of the Cable Car passenger service and the maintenance of the trolley bus overhead network.

Half yearly reports prepared in accordance with Local Government Act 2002.

An annual report and audited financial statement as required by the Financial Reporting Act 1993 and clause 67 of the Local Government Act 2002.

Advice, as far as practicable, of any events or activities planned which are likely to arouse significant public interest upon which the shareholder may wish to respond quickly.

The information set out above will be provided at regular times as agreed with the Council's Monitoring Subcommittee.

## ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT

1. The company will pursue to the greatest practicable extent the funding from the GWRC needed to maintain and replace the trolley bus overhead network. The other activities of WCCL will not subsidise the funding needed for the maintenance and replacement of the trolley bus overhead network.

2. The cable car operation will be funded from fares and any enhanced tourism activities.

However, should the shareholder require the company to undertake obligations or services which cannot be covered by the funding from these sources, the company will seek compensation from WCC to restore an adequate level of income to meet the business's requirements.

## LONG TERM COUNCIL COMMUNITY PLAN

The activities of WCCL which support outcomes sought by the LTCCP are summarised in the following four tables:

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**Long Term Community Outcomes - Urban Development**

**Contributions By WCCL**

Wellington's traffic will flow smoothly through and around the city and its suburbs

The company will maintain the trolleybus overhead wiring system to a safe and reliable standard.

Wellington's transport system will be accessible and affordable for all,

The company will operate the Cable Car as an efficient, reliable and safe transport service.

The company will enhance its viability and income base by continuing to identify business opportunities which utilise the company's assets and expertise and, as a result, enhance the commercial attractiveness of the company.

The company will operate successfully and within the Board's approved annual budget

The company will ensure that all available funds are used efficiently by minimising the shareholders' direct investment and maximising the shareholders' value in the company.

Wellington will be pedestrian and cyclist friendly"

The company will promote walking as an activity to be undertaken in conjunction with cable car rides

The company as a policy will allow cycles to be carried on the cable car subject to the comfort of other passengers being unaffected.

## Long Term Community Outcomes - Transport Strategy

Wellington's transport system will be designed meet the needs of its people efficiently and sustainable

Wellington's traffic will flow smoothly through and around the city and its suburbs

Wellington's transport system will be accessible and affordable for all,

Wellington will be pedestrian and cyclist friendly"

## Contributions By WCCL

The company will operate the Cable Car as an efficient, reliable and safe transport service.

The company will maintain the trolleybus overhead wiring system to a safe and reliable standard.

The company will enhance its viability and income base by continuing to identify business opportunities which utilise the company's assets and expertise and, as a result, enhance the commercial attractiveness of the company.

The company will operate successfully and within the Board's approved annual budget

The company will ensure that all available funds are used efficiently by minimising the shareholders' direct investment and maximising the shareholders' value in the company.

The company will promote walking as an activity to be undertaken in conjunction with cable car rides

The company as a policy will allow cycles to be carried on the cable car subject to the comfort of other passengers being unaffected.

**Long Term Community Outcomes - Economic Development**

**Contributions By WCCL**

Wellington will be a prime tourist and conference destination , with diverse changing attractions that fit and highlight Wellingtons best features

The company will operate the Cable Car as an efficient, reliable and safe transport service.

The company will enhance the Cable Car's attractiveness as a Wellington tourist icon.

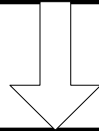
The company will develop additional tourism related business supplementary to the normal cable car passenger service.

The company will promote walking as an activity to be undertaken in conjunction with cable car rides

The company will promote in New Zealand and Internationally, Wellington and its attractions that can be accessed by the cable car.



**Long Term Community Outcomes - Environment**

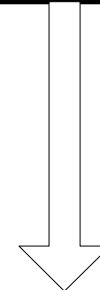


Wellington's use of non-renewable energy resources will decrease



Wellington's transport system will minimise the environmental effects of transport and support the environmental strategy.

**Contributions By WCCL**



The company will manage the trolley bus overhead wiring system to allow the efficient use by the bus operator.



The company will manage the trolley bus overhead wiring system and the cable car system to contribute to the choices available to Wellington to minimise the environmental effects of passenger transport.



# Wellington Cable Car Ltd

Business Plan

2011/2012

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**EXECUTIVE  
SUMMARY**

The budgeted overall income is \$11,195,000, the budgeted overall expenditure is \$10,760,000 and the budgeted overall surplus after tax is \$435,000.

All expenditure on the trolley bus overhead network has been assumed to be expensed from both an accounting and income tax perspective.

In normal circumstances, the trolley bus overhead network would be budgeted to operate at a zero surplus on the basis that GWRC funds all of the overhead network expenditure. However, GWRC does not fund depreciation on the ground that it is meeting the full cost of overhead network replacements. As there is residual depreciation of the overhead network to be accounted for by WCCL, an allowance for depreciation on the residual overhead network assets has been included as an expense against the overhead income, resulting in a deficit of \$87,000 for the trolley bus overhead network division of the business. This deficit is covered by the other operations of the company.

Cable car revenue is budgeted at \$2,077,000.

- This reflects passenger trips budgeted to be the same as in 2010/11 plus an additional 52,000 trips to be taken by visitors to Wellington for the Rugby World Cup.
- The revenue per trip is based on that currently achieved in the 2010/11 year.

The cable car activity is budgeted to have an operating surplus of \$614,000, which contributes to meeting the administration costs of the company activities division (i.e. activities other than the trolley bus overhead network).

There is a budgeted net operating surplus from external activities of \$468,000. The net operating surplus from the external activities also contributes to meeting the administration costs of the company activities division.

There is also a budgeted net surplus of \$16,000 from the operating of the new electric bus service in the Botanical Gardens. As with the external activities part of the business, the net surplus contributes to meeting the administration costs of the company activities division (i.e. activities other than the trolley bus overhead network).

No allowance has been made for increases in pole user charges from third parties. Further, no amount has been budgeted for revenue from third parties currently claiming not to be liable for charges to use the company's poles.

After meeting the budgeted administration expenses (\$387,000) relating to the company activities division and the residual depreciation of the trolley bus overhead network (\$87,000) from the contributions from the cable car activity and the external activities, there is a budgeted surplus of \$623,000 before tax.

	<p>After budgeting for tax expense (by way of a subvention payment payable to WCC) of \$189,000, the budgeted net surplus of the company after tax is \$435,000.</p> <p>The capital expenditure requirement for the 2011/12 year has been budgeted as follows:</p> <ul style="list-style-type: none"> <li>• \$610,000 for two new Tower Trucks for trolley bus overhead network division (budgeted to be funded by GWRC);</li> <li>• \$1,400,000 for replacement of Kelburn cable car terminus;</li> <li>• \$40,000 in relation to power factor correction equipment for the cable car;</li> <li>• \$70,000 to replace cable car entry control gates;</li> <li>• \$100,000 allowance for as yet unspecified items.</li> </ul>
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<p style="text-align: center;"><b>BASIS OF BUSINESS PLAN</b></p>	<p>The Business plan and budget for 2011/12 is based on:-</p> <ol style="list-style-type: none"> <li>1. The 2008/09 Draft Overhead Network Asset Management Plan, as updated, and agreed 2011/12 budget with GWRC</li> <li>2. The 2008/09 Cable Car Asset Management Plan, as updated</li> <li>3. An update of the 2010/11 budget</li> </ol> <p>The updated estimates of costs included in both Asset Management Plans are incorporated in this Business Plan.</p> <p>The formal funding agreement related to the trolley overhead maintenance has now been executed, and payments made by GWRC in the 2011 year are in accordance with this.</p> <p>As stated above, the 2011/12 Trolley Bus Overhead Network cost budget has been submitted to GWRC, with approval awaited, (but subject to cost cases for the major expenditure items being approved by GWRC prior to WCCL committing to that expenditure).</p> <p>For the purposes of this plan it is assumed that GWRC will meet the trolley bus overhead network costs in full, except for the residual depreciation. This will result in the deficit of \$87,000 in the overhead network division.</p> <p>The Cable Car service is funded entirely from fares. Based on the current year to date position for the 2010/11 year, we consider it appropriate to assume the patronage for 2011/12 will be equal to that as originally budgeted for the 2010/11 year, plus an additional 52,000 trips by Rugby World Cup visitors. The revenue per passenger trip is based on the rates achieved on 2010/11 plus an increase to be made due to additional costs.</p> <p>The marketing activities to be undertaken in 2011/12 for the cable car service will be firmly based on the strategy to develop cable car patronage. The marketing message extends beyond a five or ten minute ride on the cable car, to ways in which even a whole day could</p>
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	<p>be spent experiencing the attractions in the vicinity of both the Kelburn and Lambton Quay terminals.</p> <p>Revenue from other sources include:</p> <ol style="list-style-type: none"> <li>1. Pole related work for third parties;</li> <li>2. Undertaking third party overhead network projects;</li> <li>3. Interest;</li> <li>4. Pole User Charges;</li> <li>5. Mark ups on high vehicle escorts under the trolley bus overhead network and the associated contractor costs for power disconnections and safety measures;</li> <li>6. Electric Bus service to be operated within Botanical Gardens.</li> </ol> <p>Pole work is uncertain since it is dependent on third parties whose plans are communicated to WCCL at short notice.</p> <p>There are four significant third party overhead network projects budgeted to be undertaken during the 2011/12 year, being:</p> <ul style="list-style-type: none"> <li>• Adelaide Road upgrade</li> <li>• Kate Sheppard Exchange – Lambton Interchange re-alignment</li> <li>• John Street Intersection</li> <li>• Karori Tunnel.</li> </ul> <p>Interest will be earned on bank investments and for financing the inventory held for use on the trolley bus overhead network, noting however that it is forecast interest income will significantly reduce once the construction of the Kelburn Terminal commences.</p> <p>Pole user charges are based on the payments from existing pole licences.</p> <p>WCCL charges a mark-up on the contractor costs of carrying out escorting of vehicles and de-energising of the network to allow high loads to pass through the city.</p>
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<p style="text-align: center;"><b>REVENUE AND ASSOCIATED RISKS</b></p> <hr/>	<p>There are risks to WCCL's revenue which could mean that the planned surplus will not be achieved.</p> <p>GWRC has not yet confirmed in writing to WCCL that the funding to meet the Trolley Bus Overhead Network Asset Management Plan has been approved. However, the potential risk that it will not be approved at the funding amounts included in this Business Plan is mitigated by the contractual provision of the Funding Agreement with GWRC that in the event of a lesser amount of funding being approved by GWRC, the parties are to finalise and agree the work to be undertaken to ensure that the resulting Trolley Bus Overhead Network Asset Management Plan, as amended, is consistent with that lesser amount of funding.</p> <p>It is WCCL's objective to achieve additional revenue from pole users however the completion of this is seen as a 1-2 year process, and no</p>
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	<p>increase is budgeted for 2011/12.</p> <p>Extended periods of adverse weather could reduce cable car revenue; on the other hand any “events” in the city may have a positive impact, an example being the 2011 Rugby World Cup.</p>
<p><b>EXPENDITURE AND ASSOCIATED RISKS</b></p> <hr/>	<p>The overhead expenditure is described in detail in the overhead asset management plan, and therefore discussion within this document is limited.</p> <p>The overhead network expenditure carries risks associated with increases in metal prices (principally copper), adverse movements in foreign exchange and the potential for unplanned expenditure to be incurred.</p> <p>While GWRC are expected to meet all maintenance costs as budgeted, there could be some shortfalls if adequate contingency funding cannot be negotiated with GWRC in the event of abnormal costs being faced. The maintenance contract labour costs are fixed for the period, but there may be some risks associated with generally inflationary effects on other minor contracts.</p> <p>Cable car expenditure is mature and it is unlikely that costs will escalate out of control. The maintenance requirements on the cable car are not at critical levels and hence there is a degree of control through deferment, however there are cost requirements for a few major items such as, power factor correction, replacement of gates and the construction of the new terminal at Kelburn.</p> <p>The cable cars require body work replacements/repairs to be carried out due to increasing amounts of corrosion becoming apparent. This lengthy programme of work commenced in the 2010/11 year for the side panels and continues in 2012 with the roofs and doors being done, with a one hour curtailment of Sunday night services and overnight work to enable services to commence on time on Monday morning.</p> <p>Administration costs are well established with the major variables being legal and consultant costs associated with the establishment of the pole user charges and financial reporting, and strategic corporate issues.</p>

<p><b>CAPITAL WORK</b></p> <hr/>	<p>In relation to the trolley bus overhead network, the asset condition assessments indicate the lengths of collector wire that require replacement (conductor at 50% of its cross section area). Expenditure budgeted for projects in 2010/11 will be completed by June 30 2011.</p> <p>The programme of project work for 2011/12 includes replacement of sections of the overhead network on the Seatoun route.</p> <p>Budget provision of \$610,000 (subject to approval by GWRC of the cost case) has been made for two new tower trucks, for use on maintenance of the overhead network.</p> <p>The cable car service has budgeted capital work of \$1,610,000.</p>
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	<p>The replacement of the Kelburn terminal, \$1,400,000, will be principally financed from WCCL's own resources (\$500,000) and the dividend retention policy approved by WCC, which is operative until the remaining capital cost has been met.</p>
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Other capital work is \$40,000 in relation to power factor correction equipment for the cable car, \$70,000 to replace cable car entry gates, and \$100,000 budgeted for as yet unspecified capital expenditure.