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**Statement of Intent 2013-2014
Wellington Cable Car Limited**

**Presented to the CCO Performance Sub Committee
Pursuant to Schedule 8 of the Local Government Act (2002)**

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1. Introduction

The core strategies and activities outlined in this Statement of Intent for 2013/14 largely continue the thrust of the current Statement of Intent 2012/13, as the company's principal activities relate to its long-term infrastructure assets – the Wellington Cable Car and Trolley Bus Traction Services.

The strategy to obtain additional revenue from access to and use of the company's trolley bus poles has a high priority. We anticipate that it will be helpful to have the support of Wellington City Council and Greater Wellington Regional Council in this activity.

As the current operating contracts for provision of the infrastructure services that contribute to the operation of trolley bus services expire on 30 June 2017, GWRC has planned that it investigate the continuation of trolley bus services beyond 2017, during 2013/14. WCCL intends to be an active participant in this review.

2. Strategic Direction

a) Core Purpose

The primary business activities of WCCL are:

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;

Provision of trolley bus traction services by means of the 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;

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

Infrastructure-related activities undertaken within Wellington City on a profit earning basis, being;

- i. Projects initiated by parties other than GWRC 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.

b) Operating Environment Update

The overall operating environment for the Cable Car to date has recently been more buoyant, principally due to the increased number of cruise ships visiting Wellington in the 2012/13 season (91 ships against 80 ships in 2011/12). However, the underlying economic conditions continue to be difficult.

The trolley bus passenger service has operated unchanged through 2012/13, but there are likely to be some consequences (currently unquantified) following the outcome of the GWRC Bus Service (i.e. route) Review. Looking further ahead there is concern regarding the continuation of trolley bus services beyond June 2017, when current contracts expire.

c) Strategic Framework

This SOI has a life of one year. It is part of a legislative framework created by the Local Government Act 2002 which, through Wellington City Council's Long Term Plan 2012-2022, sets forth the activities to be undertaken and the services to be provided for Wellington over the ten year period, together with their financial dimensions.

In 2011 WCC signed off on its vision for the future of Wellington in *Wellington Towards 2040: Smart Capital*. The vision is expressed through four core themes, being the pillars of the Smart Capital.

- People Oriented City
- Connected City
- Eco City
- Dynamic Central City

For each of these pillars there is a goal, with a number of drivers for that goal. Not all of the drivers are relevant for WCCL – those that are relevant are included in the following table that places WCCL into the framework of *Wellington Towards 2040: Smart Capital*.

It is an aspirational strategy and will inform the future work and investments of the WCC.

The WCC Long Term Plan 2012-2022 is intended to align WCC-led projects and activities with the goals of *Wellington Towards 2040: Smart Capital*.

WCC has also adopted a number of supporting strategies and initiatives, including:

- *Wellington City Economic Development Strategy*, which aims to attract, retain and grow investment, business and talent, to create jobs, and to support sustainable economic growth in Wellington City.

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- *Accessible Wellington Action Plan, 2012 – 2015 , Promoting Inclusion*, which aims to enhance Wellington’s reputation as an inclusive and socially responsible city and one that is accessible, safe and easy to get around.
- *Wellington Digital Strategy and Action Plan*, which aims to set the direction for Wellington to achieve global recognition as a creative digital city.
- *Wellington Events Policy 2012*, which recognises that events are highly valued by Wellingtonians and aims to promote central Wellington as a vibrant and active place for all.
- *Wellington’s Our Living City Work Programme*, which aims to ensure Wellington grows its urban – nature connections by growing and enjoying our natural capital, transforming our economy and reducing our impact, and showing leadership in this area.

WCCL intends to align its strategic priorities and planning with the outcomes desired by relevant strategies of WCC.

WCCL’s Core Strategies

The following table provides an overview of the core strategies of WCCL, their targeted outcomes and how these relate to the Council’s strategic direction:

| <p>WCCL’s Core Strategies</p> | <p>Targeted Outcomes</p> | <p>Relationship of WCCL Strategies to WCC Strategic Direction</p> |
|---|---|---|
| <p>Cable Car Service</p> <p>Continue improving the attractiveness of the Cable Car offering as follows:</p> <p>a) In simple terms, a passenger trip on the Cable Car is a means of travel between two of the stations on the track.</p> <p>b) As the Cable Car is a unique means of travel, in New Zealand, this provides the basis for an interesting message to the public to enjoy the experience of riding on the Cable Car.</p> <p>c) However, the Cable Car, in addition to being an attraction in its own right, is located within an environment where there are several other valuable Wellington attractions:</p> <p>Kelburn Precinct</p> <ul style="list-style-type: none"> • Panoramic city and harbour view • Cable Car Museum • Carter Observatory • Dominion Observatory | <ul style="list-style-type: none"> • Maintain safe and reliable cable car service between CBD and Kelburn • Increased passenger trips from marketing of range of attractions available through Cable Car ride. • Completion of new Kelburn Terminus. • Promote heritage of Cable Car service as an Iconic feature of Wellington since 1902. • Full introduction of Electric Bus service in Botanic Garden. | <p>The Cable Car service contributes to achievement of goals of <i>Wellington Towards 2040: Smart Capital</i> by supporting a number of key drivers of those goals:</p> <p>People Centred City</p> <ul style="list-style-type: none"> • Suburbs with unique identities Supports strong links and access to good transport between suburban areas and the CBD • Wellington as a “Smart City” Uses new technologies to improve quality and efficiency of city infrastructure • Active communities that support innovation and resilience Develops spaces and places (physical) to engage with each other • Healthy and safe communities Responds to changing populations by investing in healthy and safe access to recreation activities for older people across a range of different abilities |

| <p>WCCL’s Core Strategies</p> | <p>Targeted Outcomes</p> | <p>Relationship of WCCL Strategies to WCC Strategic Direction</p> |
|---|---------------------------------|---|
| <ul style="list-style-type: none"> • Botanic Garden entrance • Start of walk to City via historic Thorndon site, Parliament and wharves • Zealandia Experience at Karori Sanctuary (transit point) <p>CBD</p> <ul style="list-style-type: none"> • Vibrancy of the Central Business District <p>Waterfront</p> <ul style="list-style-type: none"> • Wellington Museum <p>By linking with these other attractions, we have the foundation for a compelling marketing message that explains how taking a trip on the Cable Car offers access to wide-ranging and memorable experiences.</p> <p>d)The marketing message expands beyond a five or ten minute ride on the Cable Car, to ways in which even a whole day could be spent experiencing the attractions in the vicinity.</p> | | <p>Connected City</p> <ul style="list-style-type: none"> • Effective and efficient regional infrastructure Continue to improve the city’s public transport and pedestrian/cycling infrastructure as a distinctive feature of Wellington, aligned with low-carbon goals • National and international connections that support Wellington’s economic, social and cultural goals Helps clear understanding of Wellington’s unique characteristics (the Wellington ‘story’) and role in wider networks, nationally and internationally <p>Eco City</p> <ul style="list-style-type: none"> • A city with green economy Integrating sustainability into our business model • Infrastructure to create a secure and resilient city Investing in infrastructure to build resilience to climate change impacts, sea level rise and unexpected natural events |

| WCCL's Core Strategies | Targeted Outcomes | Relationship of WCCL Strategies to WCC Strategic Direction |
|--|-------------------|--|
| <p>e) As some of the attractions linked to the Cable Car do not charge admission fees, the opportunity for WCCL to create related chargeable services is restricted. However, the opportunities to do so will be pursued.</p> <p>f) The underlying commercial intent of WCCL is for passengers to use the Cable Car, benefiting the company by increased fare revenue and profit</p> | | <p>Dynamic Central City</p> <ul style="list-style-type: none"> • Supporting the central city as Wellington's economic engine room of the wider Wellington City and region Continuing to invest in growing economic activity in the central city for the benefit of the wider city and region • Wellingtons 'Story' told through built form and natural heritage Showcasing what Wellington values – respect for the natural environment, heritage, and creativity |

| <p>WCCL’s Core Strategies</p> | <p>Targeted Outcomes</p> | <p>Relationship of WCCL Strategies to WCC Strategic Direction</p> |
|---|---|---|
| <p>Operation of Trolley Bus Traction Services</p> <p>Continue to upgrade quality of trolley bus traction services infrastructure to provide a continuous, reliable overhead wire network to enable trolley buses to operate, which provides for the safety of its users and that reflects development within the city.</p> | <ul style="list-style-type: none"> • WCCL contributes to operation of trolley bus services that all stakeholders are satisfied with • Trolley Bus Traction Services contributes to cleaner, greener city. | <p>Trolley Bus Traction Services contributes to achievement of goals of <i>Wellington Towards 2040: Smart Capital</i> by supporting a number of key drivers of those goals:</p> <p>People Centred City</p> <ul style="list-style-type: none"> • Suburbs with unique identities Supports strong links and access to good transport between suburban areas and the CBD • Wellington as a “Smart City” Uses new technologies to improve quality and efficiency of city infrastructure <p>Connected City</p> <ul style="list-style-type: none"> • Effective and efficient regional infrastructure Continue to improve the city’s public transport and pedestrian/cycling infrastructure as a distinctive feature of Wellington, aligned with low-carbon goals |

| WCCL's Core Strategies | Targeted Outcomes | Relationship of WCCL Strategies to WCC Strategic Direction |
|------------------------|-------------------|---|
| | | <p>Eco City</p> <ul style="list-style-type: none"> • A city with green economy Integrating sustainability into our business model • Infrastructure to create a secure and resilient city Investing in infrastructure to build resilience to climate change impacts, sea level rise and unexpected natural events |
| | | <p>Dynamic Central City</p> <ul style="list-style-type: none"> • Supporting the central city as Wellington's economic engine room of the wider Wellington City and region Continuing to invest in growing economic activity in the central city for the benefit of the wider city and region |

| WCCL's Core Strategies | Targeted Outcomes | Relationship of WCCL Strategies to WCC Strategic Direction |
|---|---|---|
| <p>Pole access and use revenue strategy, to collect revenue from non-paying utilities that access and use WCCL's poles</p> | <ul style="list-style-type: none"> • Increase revenue by charging fair access and usage fee for trolley bus poles to users who currently do not pay (i.e. eliminate subsidy by WCC Ratepayers to commercial operators). | <p>Contributes to achievement of goals of <i>Wellington Towards 2040: Smart Capital</i></p> <p>Connected City</p> <ul style="list-style-type: none"> • Effective and efficient infrastructure (public transport) Continue to improve the city's public transport and pedestrian/cycling infrastructure as a distinctive feature of Wellington, aligned with low-carbon goals |
| <p>Practice Environmental Responsibility</p> | <ul style="list-style-type: none"> • The company's activities are undertaken in an environmentally responsible way. • Assisting Wellington City to reduce greenhouse emissions by using trolley buses to provide a cleaner, greener future. | <p>Contributes to achievement of goals of <i>Wellington Towards 2040: Smart Capital</i></p> <p>Eco City</p> <ul style="list-style-type: none"> • A city with green economy Integrating sustainability into our business model • Infrastructure to create a secure and resilient city Investing in infrastructure to build resilience to climate change impacts, sea level rise and unexpected natural events |

| WCCL's Core Strategies | Targeted Outcomes | Relationship of WCCL Strategies to WCC Strategic Direction |
|--|---|---|
| <p>a) Advocate for continuation of trolley bus services beyond current contractual expiry date of 30 June 2017.</p> <p>b) Strongly promote advantages of trolley bus services as a reliable, safe, clean and efficient alternative to diesel service, and more suitable than battery power for Wellington's topography.</p> | <p>Achieve resolution by GWRC of status of trolley bus services beyond 2017, by 30 June 2014.</p> | <p>Contributes to achievement of goals of <i>Wellington Towards 2040: Smart Capital</i></p> <p>Connected City</p> <ul style="list-style-type: none"> • Effective and efficient regional infrastructure Continue to improve the city's public transport and pedestrian/cycling infrastructure as a distinctive feature of Wellington, aligned with low-carbon goals <p>Eco City</p> <p>A city with a green economy Integrating sustainability into our business model</p> |

3. Nature and Scope of Activities

The activities that will be undertaken and the outputs that WCCL seeks to deliver for each of the Core Strategies listed above are as follows:

| Core Strategies / Key Activities | Outcomes Sought | Contributing to WCC Strategies and Priorities |
|--|--|--|
| Effective Management of the primary business activities of WCCL | | |
| Operation of Cable Car Service | <ul style="list-style-type: none"> i. Safe operation of Cable Car service with Nil serious injuries or fatalities, by ensuring high importance is placed on safety for the well-being of staff, contractors and members of the public, and meeting statutory requirements. ii. Reliable operation of Cable Car service by ensuring appropriate staffing levels and that Cable car assets are managed through the Cable Car Asset Management Plan, anticipating potential obsolescence and failure modes with the objective of having zero breakdowns due to asset failure. iii. High standard of customer service provided, with convenience for regular users, and a memorable experience for visitors to Wellington. iv. Cable Car marketing activities managed in accordance with Marketing Plan. | Refer to Schedule of WCCL's Core Strategies for relationship to WCC Strategic direction. |

| Core Strategies / Key Activities | Outcomes Sought | Contributing to WCC Strategies and Priorities |
|--|--|---|
| Effective Management of the primary business activities of WCCL - Continued | | |
| | <ul style="list-style-type: none"> <li data-bbox="644 416 1034 678">v. 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 data-bbox="644 719 1034 947">vi. Train Cable Car Staff to ensure that they perform all aspects of their work helpfully and in accordance with safety and operational requirements. <li data-bbox="644 1021 1034 1182">vii. Set revenue targets for the Cable Car service to contribute optimally to WCCL's net profit after tax. <li data-bbox="644 1256 1034 1317">viii. Statutory requirements are met. <li data-bbox="644 1391 1034 1518">ix. Appropriate insurance cover is held for Cable Car assets and functions. <li data-bbox="644 1592 1034 1720">x. Cable Car Health and Safety Plan kept up to date and appropriately managed. | |

| Core Strategies / Key Activities | Outcomes Sought | Contributing to WCC Strategies and Priorities |
|--|---|---|
| Effective Management of the primary business activities of WCCL - Continued | | |
| <p>Operation of Trolley Bus Traction Services</p> | <ul style="list-style-type: none"> i. Safe operation of Trolley Bus Traction Services with Nil serious injuries or fatalities, by ensuring high importance is placed on safety for the well-being of staff, contractors and members of the public, and meeting statutory requirements. ii. Manage the Trolley Bus Traction Services assets 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 GWRC and the trolley bus operator. iii. WCCL has the Trolley Bus Overhead Network capable of full operation and available for trolley bus services during the week-day hours agreed with GWRC, subject to requirements to undertake reactive maintenance. iv. Train Traction Services Staff to ensure that they perform all aspects of their work satisfactorily and in accordance with safety and operational requirements. v. Statutory requirements are met. | <p>Refer to Schedule of WCCL's Core Strategies for relationship to WCC Strategic direction.</p> |

| Core Strategies / Key Activities | Outcomes Sought | Contributing to WCC Strategies and Priorities |
|--|--|--|
| Effective Management of the primary business activities of WCCL - Continued | | |
| | <ul style="list-style-type: none"> <li data-bbox="630 504 1045 638">vi. Appropriate insurance cover is held for Traction Services assets and functions, if available. <li data-bbox="630 705 1045 840">vii. Traction Services Health and Safety Plan kept up to date and appropriately managed. <li data-bbox="630 884 1045 1019">viii. Investigate opportunities to use new technologies and consider their implementation | |

| Strategy/Key Activities | Outcomes Sought | Contributing to WCC Strategies and Priorities |
|--|---|---|
| Pole Access and Use Revenue Strategy | | |
| <p>Continue negotiations with relevant utilities.</p> <p>Evaluate progress and change approach as necessary.</p> | <p>Utilities claiming “existing works” rights under respective legislation are paying for WCCL pole access and use.</p> | <p>Refer to Schedule of WCCL’s Core Strategies for relationship to WCC Strategic direction.</p> |
| Practice Environmental Responsibility | | |
| <p>Review opportunities</p> <p>Implement practical responses for environmental responsibility.</p> | <p>Practical positive benefits to environment.</p> | <p>Refer to Schedule of WCCL’s Core Strategies for relationship to WCC Strategic direction.</p> |
| Advocate for Continuation of Trolley Bus Services beyond 2017 | | |
| <p>Participate in review to be conducted by GWRC in 2013/14.</p> <p>Advocate for continuation of Trolley Bus Services beyond 2017.</p> | <p>Continuation of sustainable, environmentally friendly public transport service.</p> | <p>Refer to Schedule of WCCL’s Core Strategies for relationship to WCC Strategic direction.</p> |

4. Performance Measurements

a) Non Financial Performance Measures for 2012/13, 2013/14, 2014/15 and 2015/16 (unless otherwise noted)

1. CABLE CAR SERVICE PERFORMANCE MEASURES

| Performance Indicator | Measure | | Target/Result | | |
|--|--|---------------------|--|---------------------|-----------|
| 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% | | |
| Wellington Residents Satisfaction Survey | Q1. Have you used the cable car in the last 12 months? Q2. How do you rate the standard and operational reliability of the cable car (Good/Very good) | | 30% of respondents have used cable car 95% of respondents with some knowledge of the cable car rate it Good/Very good | | |
| Cable Car patronage | All passenger trips | | Targets achieved | | |
| Cable Car Patronage Targets | | | | | |
| | 1 st Qtr | 2 nd Qtr | 3 rd Qtr | 4 th Qtr | Full Year |
| 2012/13 | 221,900 | 289,400 | 348,500 | 213,900 | 1,073,700 |
| 2013/14 | 224,100 | 292,300 | 352,000 | 216,000 | 1,084,400 |
| 2014/15 | 226,300 | 295,200 | 355,500 | 218,200 | 1,095,200 |
| 2015/16 | 228,563 | 298,152 | 359,055 | 220,382 | 1,106,152 |

2. TROLLEY BUS TRACTION SERVICES PERFORMANCE MEASURES

| Performance Indicator | Measure | Target/Result |
|---|--|---------------|
| 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 |

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| Performance Indicator | Measure | Target/Result |
|---|--|--|
| Trolley Bus Overhead Network Draft Asset Management Plan prepared | Draft Asset Management Plan completion | Draft Annual AMP for ensuing year prepared by 30 August of each year |
| Trolley Bus Network Poles identified in each year's AMP 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 |
| 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 |

3. "ALL OF WCCL" ACTIVITIES PERFORMANCE MEASURES

| Performance Indicator | Measure | Target/Result |
|---|---|---|
| Compliance with appropriate regulations and statues | 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 |

| | | |
|--|--|--|
| | | |
|--|--|--|

4. POLE ACCESS AND USE REVENUE STRATEGY PERFORMANCE MEASURES

| Performance Indicator | Measure | Target/Result |
|--|-----------------------------|---|
| 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 2014, and continue with current contracts |

5. PRACTICE ENVIRONMENTAL RESPONSIBILITY PERFORMANCE MEASURES

| Performance Indicator | Measure | Target/Result |
|------------------------------|--|--|
| Recycling undertaken | Recycle metal scrap Recycle paper waste | Achieve practical level Achieve practical level |

6. ADVOCATE FOR CONTINUATION OF TROLLEY BUS SERVICES BEYOND 2017 PERFORMANCE MEASURES

| Performance Indicator | Measure | Target/Result |
|--|---|-----------------------------------|
| Participate in review to be conducted by GWRC in 2013/14 | Active participation, leading to continuation of trolley bus services | Reasoned and sustainable decision |

b) Financial Performance Measures

[Text / table to be inserted when Business Plan prepared (by 18 March 2013)]

5. Board's Approach to Governance

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.

Responsibility of the Directors

The Board supports the principles of good governance as set out in "The Four Pillars of Governance Best Practice for New Zealand Directors" (incorporating the Code of Practice for Directors), issued by the Institute of Directors in New Zealand (Inc) in 2012.

The responsibilities of the directors include:

- 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;
- Managing WCCL to meet:
 - The objectives of WCCL's Board;
 - General objectives of WCC for WCCL as expressed from time to time;
 - Monitoring and addressing policy, solvency and statutory matters of the company;
 - 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 Practices

The Board's practices include:

1. It meets more frequently than bi-monthly, on an as required basis
2. The Chair contacts our CEO weekly to discuss current issues
3. After each Board meeting a brief note is sent to the CEO and CFO of WCC (and other individuals within WCC who have monitoring responsibility of WCCL) advising of any material decisions taken at the Board meeting or any

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material matters relating to WCCL which the directors of WCCL believe ought to be brought to the attention of WCC

4. The Directors' operate under a "no surprises policy" as regards information relating to WCCL which should be shared with WCC
5. Given the small size of the WCCL Board, it operates an informal evaluation process of Board member's performance, with the objective of undertaking that evaluation process at least annually
6. The Board of WCCL is happy to commit to holding its 2013 Annual General Meeting in a forum which is open to the public.

6. Organisational Health, Capability and Risk Assessment

WCCL is endeavouring to develop and maintain an enduring and resilient organisation. The following measures have been put in place:

a) Organisational approach to health and safety:

The two operating divisions of WCCL (Cable Car Service and Trolley Bus Traction Services) each have their own health and safety plans and management.

WCCL believes it has in place appropriate health and safety policies to meet its responsibilities covering hazard identification and management, emergency planning, accident reporting and investigation management, contractor management and safe work procedures. As each operating division has separately developed policies, to meet the operating environment of each division, external review of them is currently in progress to ensure consistency across both divisions.

b) Capital Investment and Asset Management Plans:

The two operating divisions of WCCL each have their own Asset Management Plans and associated Capital Investment Plans. These plans are reviewed annually.

c) Staff engagement and training:

The two operating divisions of WCCL each have staff engagement responsibilities and conduct training to support their activities. Some technical training is in house, but the Cable Car Service also engages outside trainers, particularly for customer service.

d) Emergency planning and business continuity:

WCCL has a disaster recovery plan, which focuses on IT system and data recovery, and further work is underway to enhance it for emergency events.

e) Environmental impact assessment and practices:

WCCL does not have a highly developed environmental practice but undertakes some initiatives e.g. Recycling of waste paper and metals.

f) 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

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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 |
|---|------------------------|--|
| Assets and their Management | | |
| Potential for serious injury/fatality due to risk of the trolley bus overhead network not having adequate protection against earth faults | Extreme | Mitigation Steps: <ul style="list-style-type: none">- Electrical protection consultant engineer has designed a solution which is under going testing. |
| Potential for serious injury/fatality due to risk of the trolley bus overhead network not having adequate protection against short circuits. | High | Mitigation Steps: <ul style="list-style-type: none">- Electrical protection consultant engineer has designed a solution which is under going testing.- Regular inspection regime initiated, to continue until protection equipment installed. |
| Financial | | |
| 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 Steps: <ul style="list-style-type: none">- Amending Insurance Policy terms.- Self-insurance reserve fund established. |
| 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 Steps: <ul style="list-style-type: none">- Notify Greater Wellington Regional Council, NZ Bus, and network utility companies with assets fixed to the poles. |

7. Additional Information

a) Response to other specific Letter of Expectation matters (if applicable)

The WCC Letter of Expectations for 2013/14 has advised a number of specific areas that it would like WCCL to address during 2013/14, together with KPI's to enable progress towards them to be monitored, as noted in the following table:

| Activity Area | Targeted Outcomes | KPIs | |
|--|---|---|------------------------------------|
| | | Measure | Target/Result |
| Improve the attractiveness of the Cable Car offering to passengers, including tourists | Increased passenger/visitor satisfaction Maintain/Increase passenger numbers for Cable Car | Annual Resident's Survey Results Passenger Numbers | Improve by 1% Improve by 1% |
| How the Cable Car experience can better promote and integrate with the full range of tourist and visitor experiences at the top of the Cable Car, including Botanic Garden, Zealandia and Kelburn Village, to which WCCL adds Cable Car Museum and Carter Observatory. | | | |
| Outline Plans to address the medium term reduction in passenger numbers using Cable Car. | | | |
| Overall Returns Improvement Strategy: - Efficiency gains - Revenue growth - Service level optimisation | Overall returns improved (i.e. increased Net Profit after Tax) | % Increase over 2012/13 | Improve by 2.5% |

b) Ratio of shareholders funds to total assets

Definition of Terms

Shareholders funds: Represents the net equity the shareholder has contributed to the Company since its incorporation. This amount includes issued share capital, revaluation reserves and retained earnings. For completeness, this amount would also include any balances in the shareholder current account that exist; however there is a nil balance in the shareholder current account. As at 30 June 2012, the shareholders funds equated to \$7.6m.

Total Assets: Represent the total assets, both intangible and tangible of the Company, disclosed in accordance with applicable financial reporting standards. For completeness it is noted that any tax liabilities in respect of GST and deferred tax are classified as liabilities irrespective of them being a debit or credit balance. As at 30 June 2012, the Total Assets of the Company equated to \$10.7m.

Ratio of Shareholders Funds to Total Assets as at 30 June 2012 – 71.0%

c) Estimate of amount intended for distribution

The current dividend policy was set in the 2012/2013 Statement of Intent, following discussion and agreement with senior WCC executives.

“The company will pay the shareholder a dividend of 60% of the net profits after tax, subject to the Directors discharging their statutory duty in making that decision each year.

The Directors are cogniscent of the shareholder’s 10 year Long Year Term Plan and are committed to providing a return to the shareholder commensurate with that plan”.

d) Acquisition procedures

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.

e) Activities for which the board seeks compensation from a local authority

The Company obtains funding from the following sources:

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

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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.

f) Estimate of commercial value of shareholders investment

The estimate of commercial value is equal to the equity value of the company as at 30 June 2012, is \$7.6m.

The commercial value is reassessed annually, following completion of the annual accounts.

g) Other matters (if applicable) e.g. water supply services LGA requirements

Nil.

h) Supplementary information the entity wishes to include

Insurance Programme

The insurance programme for the respective operating divisions is as follows:

Cable Car Service

All assets related to the cable car service are covered by a policy with Lloyds of London.

The amount of cover necessary has been calculated on the basis of Probable Maximum Loss, as advised by the structure and earthquake engineering consultant who surveyed the assets and reported to WCCL.

Material Change

Following the Canterbury earthquakes, it was not possible to get continued cover from the then insurer, or from any other NZ-based insurer. The placement was made with Lloyds on the best terms that could be achieved, but not for full replacement. WCCL was able to get its cover only on the strength of the consultant's report and his assessment of Probable Maximum Loss.

Trolley Bus Overhead Network

The trolley bus overhead network itself (poles, stays wires, contact wire and other equipment) is not insured, and has never been. WCCL has attempted to get quotations for cover, but have not been successful. We understand that lines companies generally do not have insurance cover. The warehouse and contents, including inventory and equipment is insured with a NZ based insurer.

Motor Vehicles are insured with a NZ based insurer.

Liability covers are insured with a NZ based insurer.

8. Appendix: Accounting Policies

Reporting Entity

These are the financial statements of Wellington Cable Car Limited ('the company'). Wellington Cable Car Limited is a company wholly owned by Wellington City Council and is registered under the Companies Act 1993. It is a Council-controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002.

The financial statements of Wellington Cable Car Limited have been prepared in accordance with the reporting requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For the purposes of financial reporting the Company is a profit oriented entity.

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities and those that apply differential reporting.

Measurement Base

The financial statements of Wellington Cable Car Limited have been prepared on an historical cost basis, except as noted otherwise below.

The information is presented in New Zealand dollars.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. The Company has not yet assessed the effect of the new standard and expects it will not be early adopted.
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures - The amendment may reduce the disclosure requirements relating to credit risk. The Company has not yet assessed the effect of the amendments.

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The following amendments and revision to standards have been early adopted:

- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) - These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The adoption of FRS-44 has had only a presentational or disclosure effect on the Financial Statements.

Comparative Figures

To ensure consistency with the current year, certain comparative information has been restated or reclassified where appropriate. This has occurred:

- where classifications have changed between periods,
 - where comparative amounts have been restated to comply with the new standards and interpretations,
- and
- where the entity has made additional disclosure in the current year, and where a greater degree of desegregation of prior year amounts and balances is therefore required.

Specific Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

(a) Differential Reporting

The company is a qualifying entity within the Framework for Differential Reporting. The company qualifies on the basis that it is not publicly accountable and there is no separation between the owners and governing body of Wellington Cable Car Limited. The company will adopt the differential reporting exemption for NZ IFRS 8 in respect to Operating segments.

(b) Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised when the revision affects only that period. If the revision affects both current and future periods, it is reflected in the current and future periods.

Judgements that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

(c) Property, Plant & Equipment

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Recognition

Property, plant and equipment consist of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

Measurement

Property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised. In accordance with IAS 23, borrowing costs are capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset.

Traction Network Asset

The Traction network is valued at its fair value based on a discounted cash flows approach to their valuation. This valuation is completed annually using a model prepared by PricewaterhouseCoopers. Between valuations, expenditure on asset improvements is capitalised at cost only if it is probable that future economic benefits associated with the item will flow to Wellington Cable Car Limited and the cost of the item can be reliably measured.

Cable Car Asset

The Cable Car assets are reviewed annually to ensure their carrying value is appropriately recorded in the financial statements.

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Statement of Comprehensive Income, unless the asset is carried at a re-valued amount in which case any impairment loss is treated as a revaluation decrease.

Revaluations

The result of any revaluation of the Cable Cars infrastructure asset is credited or debited to the asset revaluation reserve for that asset. Where this results in a debit balance in the reserve, the balance is expensed in the Statement of Comprehensive Income. Any subsequent increase on revaluation that off-sets a previous decrease in value

recognised in the Statement of Comprehensive Income will be recognised firstly in the Statement of Comprehensive Income up to the amount previously expensed, and then secondly credited to the revaluation reserve.

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Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the re-valued amount.

Disposal

Realised gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to Retained Earnings.

Depreciation

Depreciation is provided on all property, plant and equipment, except for assets under construction (work in progress).

Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The depreciation rates of the major classes of property, plant and equipment are as follows:

| | |
|---|---------|
| Cable Car Tracks & Wires | 2% |
| Cable Car Equipment | 2% |
| Cable Car Equipment | 10%-33% |
| Computer Equipment | 33% |
| Motor Vehicles | 0% |
| Furniture & Fittings | 20% |
| Trolley Bus Overhead Wire System & Fittings | 20% |
| Trolley Bus Overhead Wire System Equipment | 10% |

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

Work-in-progress

The cost of projects within work in progress is either expensed or transferred to the relevant asset class when the project is completed. It is transferred to the relevant asset class only if it is probable that future economic benefits associated with the item will flow to Wellington Cable Car Limited and the cost of the item can be reliably measured. Otherwise the item is expensed.

(d) Foreign Currencies

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate.

Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

(e) Intangible Assets

Intangible assets comprise computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

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Computer Software 3 years

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Income.

(f) **Goods & Services Tax**

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

(g) **Finance Costs**

Finance costs that are directly attributable to the acquisition, construction or production of an asset shall be capitalised as part of the cost of the asset.

All other finance costs shall be recognised as an expense in the period in which they are incurred.

(h) **Income Tax**

Income tax expense is charged in the Statement of Comprehensive Income in respect of the current year's results.

Income tax on the profits or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) **Inventories**

Inventory has been valued at the lower of cost (average weighted cost price) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at the lower of cost and current replacement cost.

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(j) Leases

Finance Leases

Assets purchased under finance leases which effectively transfer to the lessee substantially all the risks and benefits incidental to ownership of the property are included as non-current assets in the Balance Sheet. Finance Leases will be capitalised at the present value of the minimum lease payments. A corresponding liability is also disclosed with lease payments being apportioned between the liability and interest payments.

The depreciation policy for depreciable assets, that are the subject of a finance lease, will be consistent with that for assets that are owned, unless there is no certainty that the lessee will take ownership by the end of the lease term, in which case the assets will be depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Income in the period in which they are incurred. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease payment.

(k) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach.

Operating activities include cash received from all income sources of the company and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the company.

(l) Related Parties

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties also include key management personnel or a close member of the family of any key management personnel.

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a Director during the reporting period. Directors' remuneration does not include reimbursement of legitimate work expenses or the provision of work-related equipment such as cell phones and laptops.

(m) Financial Instruments

WCCL classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Non Derivative Financial Instruments

WCCL has the following non-derivative financial instruments.

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Financial assets

WCCL classifies its investments into the following categories:

- Financial assets at fair value through profit and loss and loans and receivables.
- Loans and receivables comprise cash and cash equivalents, trade and other receivables.
- Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for loans of a similar maturity and credit risk. Trade and other receivables issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

- Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration more than 12 months are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Statement of Comprehensive Income as is any gain or loss when the liability is derecognised. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

(n) **Revenue**

Wellington Cable Car Limited derives revenue from the cable car passenger service with fares being the sole source of income.

Additional revenue is received from projects in relation to the Traction Network to modify the network at the request of outside parties and there is also pole occupancy licences in place.

Revenue is recognised when billed or earned on an accrual basis.

(o) **Government Grants**

The trolley bus overhead wiring system funding is from contract payments by the Greater Wellington Regional Council.

Grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(p) **Expenses**

Expenses are recognised when the goods or services have been received on an accrual basis.

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(q) Other Liabilities and Provisions

Provisions are recognised for future expenditure of uncertain timing or amount when there is a present obligation as a result of a past event and it is probable that expenditures will be required to settle the obligation. Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

(r) Employee Benefit liabilities

A provision for employee benefits (holiday leave) is recognised as a liability when benefits are earned but not paid.

Holiday leave is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) and 16(4) of the Holidays Act 2003.

9. Appendix: Forecast Financial Statements

To be provided to WCC by 18 March 2013, as arranged.