



Statement of Intent 2014/15 Wellington Cable Car Limited

**Presented to the Transport and Urban Development Committee
Pursuant to Schedule 8 of the Local Government Act (2002)**

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1. Introduction

This Statement of Intent for 2014/15 has been produced at a time of significant activity and great change for Wellington Cable Car Limited (WCCL). During the preceding year, WCCL successfully opened the new Cable Car Kelburn Terminus and renegotiated a further 3-year contract extension with Transfield Services Limited (TSL) for the provision of Trolley Bus overhead electrical network maintenance and project services. Change has come in the form of a new Chief Executive Officer who joined in October 2013, and the Board changed in its entirety in April 2014 when WCCL was taken “in house” by Wellington City Council.

Notwithstanding these activities and changes, the core strategies and activities outlined in this Statement of Intent largely continue the thrust of the previous Statement of Intent for 2013/14, as the company’s principal activities relate to its long-term infrastructure assets – the Wellington Cable Car and the Trolley Bus overhead electrical network.

WCCL provides infrastructure services that contribute to the operation of Wellington Trolley Bus services under contract to Greater Wellington Regional Council (GWRC) until 30 June 2017. GWRC is currently reviewing the Regional Public Transport Plan (RTRP), including the future direction of contracted bus passenger services in the Wellington region, as part of the transition to a new Public Transport Operating Model (PTOM) for New Zealand. The future of the Trolley Bus network will be determined by the outcome of these processes, influenced strongly by the most expedient and affordable transport methods required to satisfy the requirements of the Wellington Public Transport Spine Study if implemented. WCCL will continue to provide supporting information and expertise to assist in this process as required. The work programme and final budget for 2014/15 is still under discussion with GWRC and may partially depend on other decisions made by them.



WCCL has a proud history of operating on a stand-alone basis without direct financial support or subsidy from Wellington City Council for many years, whilst still maintaining dividend payments. All of the strategies and initiatives contained within this Statement of Intent are based upon this premise.

2. Strategic Direction

a) Core Purpose

The primary business activities of WCCL are:

1. Provision of the Cable Car passenger service, to meet the needs of local residents (including commuters and students) and visitors (domestic and international). This operation is financed from passenger fare income and any additional revenue developed from WCCL and Wellington City Council tourism-related activities. This could also potentially include some form of retail and merchandising activity. No funding or subsidy is received from Wellington City Council.
2. Provision of Trolley Bus traction services by means of the overhead electrical network for use by Trolley Buses in Wellington under contract from GWRC, using Transfield Services Limited (TSL) as the maintenance services provider. This operation is financed from payments by GWRC on a cost recovery basis, to cover planned maintenance, reactive defect rectification and progressive replacement of severely degraded sections of the overhead electrical network. This also includes:
 - Infrastructure-related activities undertaken within Wellington on a profit making basis, namely:
 - i. Projects initiated by parties other than GWRC requiring the overhead electrical network to be relocated and/or modified (for example, the Memorial Park Alliance road construction programme);
 - ii. Protection of the Trolley Bus overhead electrical network from damage by escorting high loads through the city, and protection of parties requiring safe access in proximity to overhead lines by electrical de-energisation.
 - Maintaining WCCL's pole network funded via a combination of support from GWRC and pole user charges from utility and telecommunications companies using WCCL's poles to support their electrical and broadband networks.

b) Operating Environment Update

The overall operating environment for the Cable Car in 2013/14 was difficult for a variety of reasons including the rebuild of the Kelburn Terminus, the earthquakes in July / August 2013 and a temporary reduction in the number of cruise ships for the season due to cruise ship scheduling difficulties. In addition, Wellington prevailing economic conditions have continued to be somewhat subdued, and these have affected the local tourism industry (including the Cable Car).

However, there is a sense that the economy is starting to pick up, and the long-term trend for international tourist visits to Wellington (and cruise ship passengers in particular) is encouraging. The Cable Car remains the second most visited tourist attraction in Wellington after Te Papa, and the tourist market is important as it has growth potential. WCCL has recently introduced Snapper on the Cable Car and is hopeful that this will assist in increasing Victoria University student numbers, which have declined markedly in recent years due to demographic changes in student accommodation and improved bus services to Kelburn Parade.

The relationship with GWRC remains strong and they continue to be supportive in their approach to passenger safety by funding the replacement of severely degraded sections of the network and technical development work on the prototype Trolley Bus electrical fault protection system (TBOP project). The maintenance services contract with TSL has been renewed for a further 3 years, and significant efficiencies and improvements in joint working practices have been secured as a result of the renegotiation process. Looking further ahead, there is significant concern regarding the potential cessation of Trolley Bus services in July 2017 when the current contract with GWRC expires, and its strategic impact on the future direction and status of the company.

c) Strategic Framework

This Statement of Intent is part of a legislative framework created by the Local Government Act 2002 and informs the Wellington City Council and Greater Wellington Regional Council Annual Plans and Long Term Plans (WCC: 2012 – 2022 and GWRC: 2012 – 2022). Collectively, these set forth the activities to be undertaken and the Cable Car passenger services / Trolley Bus network 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 Orientated City, Connected City, Eco City and Dynamic Central City. These have been encapsulated in more detail in the 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. This has four main aims, namely:

- Destination Wellington,
- The Smart Capital,
- The Connected Capital, and
- Open for Business.

For each of these aims there is a goal, with a number of drivers for that goal. Not all of these drivers are relevant for WCCL, however those that are relevant are described in Table 1 linking WCCL's core strategies with the Wellington City Council Economic Development Strategy. This informs WCCL's future work and strategic investments.

WCCL has also been directed to adopt a number of supporting, high priority strategies and plans, including:

- 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 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 has aligned its strategic priorities and planning with the outcomes desired by Wellington City Council's relevant strategies.

d) WCCL's Core Strategies

The table below provides an overview of the core strategies of WCCL; their targeted outcomes and how these relate to the Council's strategic direction as encapsulated in the transport and economic development strategies:

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
<p><u>1. Cable Car Passenger Services</u></p> <p>(a) WCCL's core strategy is to be able to offer enjoyable, affordable, safe and reliable passenger services between Lambton Quay and Kelburn to a diverse range of customers. These include local residents, students, senior citizens, domestic and international tourists. We will continue to do this on behalf of Wellington City Council without subsidy by maintaining our reputation as the proud and friendly operator and maintainer of Wellington's iconic Cable Car:</p> <p>(b) WCCL will continue to take an active role in improving the visitor experience for local residents and visitors. This will be undertaken as a combination of independent activities and also by working in conjunction with other Wellington City Council CCOs and Trusts. This will apply to:</p> <ul style="list-style-type: none"> i) The Cable Car operation, including the cars, stations, platforms and tunnels; as well as ii) The precincts immediately adjacent to the Lambton Quay and Kelburn stations. 	<p><u>Outcomes for 2014/14</u></p> <p>(a) Maintain a safe and reliable Cable Car service between Lambton Quay and Kelburn.</p> <p>(b) Increase the number of passenger trips and subsequent revenue, focusing on tourists and students as a priority.</p> <p>(c) Provide an enjoyable and pleasant customer experience for all Cable Car passengers.</p>	<p><u>Economic Development Strategy</u></p> <p>The Cable Car service contributes to achievement of goals of Wellington City Council's Economic Development Strategy by supporting a number of key drivers of those goals:</p> <p>(a) Destination Wellington</p> <p>The Cable Car is the second most popular tourist attraction in the region after Te Papa, and a key part of its success must be to play its role as an active participant in the burgeoning international tourist market (and cruise ships, in particular).</p> <p>It also provides an excellent transport link between Lambton Quay, the Botanic Gardens, the Cable Car Museum, Carter's Observatory and Zealandia.</p> <p>(b) The Connected Capital</p> <p>The Cable Car transport network assists the interaction of Victoria University of Wellington's Kelburn campus (comprising 22,000 staff and students) with Wellington's vibrant CBD.</p>

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
<p>(c) The intent of these strategies is to improve the attractiveness of the Cable Car by focusing on the quality of the overall experience and ultimately increasing passenger numbers and revenue.</p>	<p>.</p>	<p>The Cable Car continues to host the free CBD Wi-Fi (provided by Citylink) in Lambton Quay and Kelburn stations, and will eventually expand to include the whole Cable Car operation through the tunnels.</p> <p>(c) Open for Business</p> <p>By continuing to operate as a thriving business, and a good employer, the Cable Car promotes generic business prosperity in Wellington and the development of Kelburn as a vibrant and prosperous suburban centre.</p> <p>As part of the long-term upgrade and replacement of strategic assets, the Cable Car showcases and supports innovative, high technology engineering within Wellington's CBD.</p>

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
<p><u>2. Operation of Trolley Bus Traction Services</u></p> <p>(a) WCCL's core Trolley Bus strategy is to safely operate, maintain and upgrade (where required) Wellington's iconic Trolley Bus traction services infrastructure. This is provided under contract to Greater Wellington Regional Council who require WCCL to provide a continuous, reliable overhead electrical network that will enable the Trolley Buses to operate.</p> <p>(b) As a by-product of owning the Poles and associated infrastructure that supports the overhead electrical network, WCCL maintains and collects revenue (where practicable) from non-paying utilities that access and use WCCL's poles</p>	<p><u>Outcomes for 2014/14</u></p> <p>(a) Maintain a safe and reliable Trolley Bus overhead electrical network as contracted for by Greater Wellington Regional Council.</p> <p>(b) Meet the contracted targets for operational availability and reliability, safety and cost.</p> <p>(c) Assist third parties as necessary to facilitate changes in road infrastructure or movement of high loads through Wellington.</p>	<p><u>Economic Development Strategy</u></p> <p>The Trolley Bus traction services contributes to achievement of goals of Wellington City Council's Economic Development Strategy by supporting a number of key drivers of those goals:</p> <p>(b) The Connected Capital</p> <p>The Trolley Bus network supports strong links and access to good transport between suburban areas and the CBD</p> <p>Wellington City Council's strategic broadband infrastructure initiatives are supported (particularly within the CBD) via the use of Trolley Bus traction poles to carry broadband cables</p>

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
		<p>(c) Open for Business</p> <p>By continuing to operate as a thriving business, and a good employer, and investing in renewal of the network where required, WCCL promotes growing economic activity in the central city and the southern suburbs for the benefit of the wider city and region.</p> <p>Examples include WCCL support to:</p> <p>(i) The NZTA Memorial Park Alliance road building programme by relocating parts of the Trolley Bus network supporting infrastructure, and</p> <p>(ii) Meridian Energy's Mill Creek wind farm construction project which requires 26 wind turbines to be escorted through Wellington.</p>

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
<p><u>3. WCCL Organisational Culture and Values</u></p> <p>(a) WCCL has developed a set of core values and behaviours that reflect our expectations both in the performance of employees' individual work and the way we conduct our business as a whole. As the proud operator and maintainer of Wellington's iconic Cable Car and Trolley Bus Overhead Electrical Network, we recognise the importance of being customer focused, and responsible for maintaining the highest standards of safety, quality and environmental sustainability.</p> <p>(b) WCCL is critically dependent upon the quality, integrity and professional ethics of its employees and values immensely their contribution to the successful running of WCCL as a Council Controlled Organisation. WCCL will invest in training and nurturing its employees as this is the right thing to do.</p>	<p><u>Outcomes for 2014/14</u></p> <p>(a) Safety at Work – WCCL never compromises health and safety in the mistaken belief that other requirements are more important. WCCL performs work in accordance with health and safety responsibilities, policies, procedures and standards</p> <p>(b) Customer Satisfaction – WCCL provides prompt and efficient customer service and is always focused on achieving internal and external customer satisfaction.</p> <p>(c) Safeguards our Environment and Community – WCCL recognise the importance of being environmentally responsible and performs work in accordance with environmental responsibilities, policies, procedures and standards.</p>	<p><u>Wellington City Council Foundation Values</u></p> <p>WCCL's organisational culture and values are closely aligned with those of Wellington City Council as described below:</p> <p>(a) Aim High – WCCL wants to show it is a CCO that has high professional standards and is on a path to continuous improvement.</p> <p>(b) Encourage Fresh Thinking – this is a year of renewal, with a new Board, a new CEO, and a great opportunity to change for the better.</p> <p>(c) Deliver What's Right – WCCL needs to deliver a good level of service for both operations and its shareholder, whilst also prudently investing for the future.</p> <p>(d) Work Together – WCCL will work tirelessly with WCC, GWRC, sister CCOs and Trusts, TSL, its customers and suppliers in a collaborative approach to achieve excellence in business.</p> <p>(e) Act with Integrity and Respect – treat your employees, partners, customers and suppliers, as you would like to be treated yourself.</p>

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
	<p>(d) Strives for Excellence – WCCL continually looks at new ways to improve individual, team and business performance and actively supports change. WCCL makes suggestions for improvement and is prepared to adapt to new ideas to improve products and services, work processes and procedures and financial performance.</p> <p>(e) Takes Personal Responsibility – employees accept responsibility for their own actions and behaviours and ensures work performed meets agreed performance levels, policies, procedures and standards and acts in an ethical, fair and reasonable manner.</p> <p>(f) Cultivates Team Spirit – employees trust and respect each other's opinions, ideas and contributions. Employees support team members and proactively participate in and contribute towards the achievement of team goals.</p>	<p>(f) Aspire to Zero Harm to our Staff and Customers – it is vital that WCCL maintains and its high standards of Health and Safety, whilst also preparing for the introduction of the new Health and Safety at Work Act, 2014.</p>

<p>WCCL's Core Strategies</p>	<p>Targeted Outcomes</p>	<p>Relationship of WCCL Core Strategies to WCC Strategic Direction</p>
	<p>(g) Manage Business Results - our Managers control performance gaps, delegate tasks, reward successes, and actively drive individual and team performance to achieve business results.</p> <p>(h) Empower Others - Our Managers act as role models for other employees by providing clear direction and leading by example. Our Managers will instil commitment and motivation in individuals and the team to align values and behaviours to our company vision and value.</p> <p>(i) Manage Talent - Our Managers actively develop team capability and support employee development through coaching and counselling individuals to manage their career and personal development.</p> <p>(j) Continuing Professional Development – WCCL will actively invest in individuals to enhance the company's overall efficiency and effectiveness by promoting ongoing continuing professional development.</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:

<u>Core Strategies</u>	<u>Key Activities and Outcomes Sought</u>
a. <u>Operation of Cable Car Service</u>	<p data-bbox="735 472 1225 506"><u>Key Generic Activities and Outcomes</u></p> <ol data-bbox="691 539 1418 2047" style="list-style-type: none"> <li data-bbox="691 539 1418 703">1. Safe operation of the Cable Car service with no serious injuries or fatalities, by ensuring high importance is placed on the safety of staff, contractors and members of the public, and meeting statutory requirements. <li data-bbox="691 741 1418 943">2. 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. <li data-bbox="691 981 1418 1077">3. High standard of customer service provided, with convenience for regular users and a memorable experience for visitors to Wellington. <li data-bbox="691 1115 1418 1279">4. Stakeholder engagement with all relevant central government departments, councils, organisations, companies, suppliers and third parties whose activities impinge upon or who could affect Cable Car services. <li data-bbox="691 1317 1418 1375">5. Cable Car marketing activities managed in accordance with Marketing Plan. <li data-bbox="691 1413 1418 1547">6. 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="691 1585 1418 1682">7. Train employees to ensure that they perform all aspects of their work helpfully and in accordance with safety and operational requirements. <li data-bbox="691 1720 1418 1778">8. Set revenue targets for the Cable Car service to contribute optimally to WCCL's net profit after tax. <li data-bbox="691 1816 1418 1850">9. Legal and Statutory requirements are met. <li data-bbox="691 1888 1418 1946">10. Ensure appropriate insurance cover is held for Cable Car assets and functions. <li data-bbox="691 1984 1418 2047">11. Cable Car Health and Safety Plan kept up to date and appropriately managed.

<u>Core Strategies</u>	<u>Key Activities and Outcomes Sought</u>
	<p data-bbox="735 255 1225 288"><u>Key Change Activities and Outcomes</u></p> <ol style="list-style-type: none"> <li data-bbox="691 322 1390 555">12. Undertake a strategic marketing review of the Cable Car operation. This will include future proposals for the tourist market (which is a growth area) and the student market (which has declined in recent years due to demographic changes in student accommodation and improved bus services to Kelburn Parade). <li data-bbox="691 591 1390 658">13. Investigate retailing and merchandising opportunities to increase revenue and profitability. <li data-bbox="691 692 1390 759">14. Maintain Qualmark accreditation (first obtained in March 2014). <li data-bbox="691 792 1390 860">15. Replace the Lambton Quay passenger gates and point-of-sales systems. <li data-bbox="691 893 1390 960">16. Investigate and plan an internal overhaul of the Cable Car seating and internal décor. <li data-bbox="691 994 1390 1061">17. Review and update the long-term Asset Management Plan. <li data-bbox="691 1095 1390 1207">18. Initiate a technical review of critical obsolescence issues, and investigate potential options to increase passenger capacity. <li data-bbox="691 1240 1390 1397">19. Assist WCC and other stakeholders as required with any collaborative initiatives instigated to reinvigorate Cable Car Lane (including the overhead canopy) as a result of the recent Cable Car precinct research work.

<u>Core Strategies</u>	<u>Key Activities and Outcomes Sought</u>
<p>b. <u>Operation of Trolley Bus Traction Services</u></p>	<p><u>Key Generic Activities and Outcomes</u></p> <ol style="list-style-type: none"> 1. Safe operation of the Trolley Bus overhead electrical network with no serious injuries or fatalities, by ensuring high importance is placed on the safety of staff, contractors and members of the public, and meeting statutory requirements. 2. Operate, maintain, repair and replace (where required) the Trolley Bus overhead electrical network assets in accordance with the Asset Management Plan as required under contract by GWRC, using Transfield Services Limited as the maintenance services provider. 3. The Trolley Bus Overhead Electrical Network is fully available for Trolley Bus services during the working week as contracted for by GWRC, subject to damage caused by extreme weather / third parties, or any requirements to undertake reactive maintenance or defect rectification. 4. Stakeholder engagement with all relevant central government departments, councils, organisations, companies, suppliers and third parties whose activities impinge upon or who could affect Trolley Bus services. 5. Train WCCL employees (and TSL employees where necessary) to ensure that they can perform all aspects of their work satisfactorily and in accordance with safety and operational requirements. 6. Ensure Legal and Statutory requirements are met. 7. Ensure appropriate insurance cover is held for Traction Services assets and vehicles, excluding the overhead electrical network infrastructure. 8. Ensure the Trolley Bus Traction Services Health and Safety Plan is kept up to date and appropriately managed. 9. Investigate opportunities to use new technologies and consider their implementation. 10. Liaise and negotiate with WCC, GWRC, utility companies and broadband providers to manage third party use of WCCL Poles for safety reasons and to secure revenue.

<u>Core Strategies</u>	<u>Key Activities and Outcomes Sought</u>
	<p>11. Provide assistance to third parties who are required to move high loads through the overhead electrical network.</p> <p>12. Provide assistance to organisations who need to relocate overhead electrical network assets for road building / modification purposes or earthquake strengthening works.</p>
	<p><u>Key Change Activities and Outcomes</u></p> <p>13. Provide subject matter expertise to facilitate informed opinion for the future direction of bus services (including Trolley Buses) in Wellington.</p> <p>14. Prepare for and implement any changes required pending a GWRC decision on the future of the Trolley Bus network.</p> <p>15. Implement the Trolley Bus Overhead Protection project prototype, review its effectiveness, undertake a critical design review, and decide whether to roll this out across the whole network.</p> <p>16. Work with TSL to progress and implement improved working practices identified during the recent maintenance services provider contract renegotiation process.</p> <p>17. Complete the Karori Stage 3 and Lower Hataitai network replacement projects.</p> <p>18. Obtain GWRC approval for essential network replacement projects planned for 2014/15 and 2015/16.</p> <p>19. Assist the NZTA Memorial Park Alliance road building programme with the relocation of overhead electrical network assets.</p> <p>20. Assist the WCC Town Hall earthquake-strengthening programme with the relocation of overhead electrical network assets (if required).</p>

4. Performance Measurements

a) Non-Financial Performance Measures

1. Cable Car Passenger Services 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 or Very good
Cable Car Service maintains Qualmark endorsement to confirm that the Cable Car Service meets the established tourism standards	Qualmark endorsement maintained	Qualmark endorsement maintained when annual requalification is required (March 2015)
New Cable Car Asset Management Plan (AMP) produced	New Asset Management Plan produced	New Asset Management Plan produced and long term planning and financial implications fed into WCC planning system
Cable Car Passenger Trips	Passenger trips as per the estimates below	Passenger trip estimates achieved

Cable Car Passenger Trip Estimates and Actual Figures					
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Full Year
2012/13 (estimates)	221,900	289,400	367,500	213,900	1,092,700
2012/13 (actual)*	218,700	294,676	364,773	182,309	1,060,458
2013/14 (estimates)	224,100	292,300	352,000	216,000	1,084,400
2014/15 (new estimates)	185,994	267,793	363,432	188,628	1,005,847
2014/15 (previous estimates)	226,300	295,200	355,500	218,200	1,095,200
2015/16	187,854	270,471	367,066	190,514	1,015,905
2016/17	189,733	273,176	370,737	192,419	1,026,064

2. Trolley Bus Services Performance Measures

Performance Indicator	Measure	Target/Result
Inspection, maintenance repair and replacement of trolley bus overhead network components is successfully undertaken to ensure contracted levels of reliability are achieved	Number of network failures due to inadequate maintenance	Nil failures
Trolley Bus Overhead Network Asset Management Plan (AMP) updated and reviewed	Draft Asset Management Plan completion	Asset Management Plan agreed and planning / financial implications fed into GWRC planning system

Trolley Bus Overhead Network Poles identified in the AMP as requiring urgent and critical replacement are programmed for replacement	Pole replacements completion	Completed in accordance with the programme
Network section replacement projects as agreed with GWRC are satisfactorily completed.	Network section replacement programme completion	Replacement completed in accordance with the programme
GWRC funding and performance agreement compliance	Number of breaches of agreement	Nil breaches by WCCL Nil complaints from GWRC

3. WCCL Corporate 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
WCCL Corporate and Operational Risks are proactively identified, assessed and managed to an As Low As Reasonably Practicable (ALARP) level using "Isolate – Eliminate – Minimise" principles	WCCL Corporate and Operational Risks are proactively identified, assessed and managed	Nil Extreme Risks extant High Risks are proactively managed in accordance with "Isolate – Eliminate – Minimise" principles

4. Pole Access and Use Revenue Strategy Performance Measures

Performance Indicator	Measure	Target/Result
All new WCCL pole occupants post-01 July 2014 to have a formal agreement in place for safety and maintenance purposes, and appropriate pole user charges are being paid	Number of executed agreements or contracts	All pole occupants with new connections post-01 July 2014 to have executed agreements or contracts in place
All 'existing works' users and users pre-01 July 2014 to have agreements or contracts in place	Number of executed agreements or contracts	All "Existing Works" users and users with connections prior to 01 July 2014 to have agreements in place or contracts signed by 30 June 2015

b) Financial Performance Measures

Performance Indicator	Measure	Target/Result
Budgetary requirements approved by the WCCL Board are met	Degree of variance from budget	Within 10% of Board approved variance
Board delegations are adhered to	Board and leadership team approvals of financial and contractual commitments and expenditure	All approvals of financial and contractual commitments and expenditure are in accordance with delegations policy
WCCL can fund its long-term Cable Car capital expenditure programme	Appropriate budgeted amount set aside each year for long-term capital works programme	Sufficient financial reserves are maintained to permit funding of capital works programme through a combination of cash, borrowing and grants

5. Board's Approach to Governance

- The Board of Directors normally comprises two members. All are appointed by WCC for varying terms, according to WCC policy.
- The Chairman is appointed by WCC.
- The Board currently meets every two months.

a) 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.

b) Delegated Functions

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

c) Board Practices

The Board's practices include:

- i) The Chair contacts our CEO weekly to discuss current issues
- ii) The Board meets more frequently than bi-monthly, on an as required basis. After each Board meeting a brief note is sent to the CEO 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 material matters relating to WCCL which the Directors of WCCL believe ought to be brought to the attention of WCC
- iii) The Board of WCCL is happy to hold its 2014/15 Annual General Meeting in a forum which is open to the public.

6. Organisational Health, Capability and Risk Assessment

WCCL is committed to developing and maintaining an enduring and resilient approach to health and safety that embeds a culture of zero harm within the company, adheres to current and future legislative requirements (noting that the HSE Act 1992 will be superseded in 2014) and ensures that staff, contractors and the general public are not exposed to unnecessary risk or harm in their dealings with WCCL. The following approaches and organisational procedures are in place or are being developed to ensure that WCCL meets its obligations to the Council and the Wellington public as required by the Local Government Act 2002 and other pertinent legislation:

a) Organisational Approach to Health and Safety:

An independent review was undertaken by Purple Consulting in 2013 of WCCL's Health and Safety policy, practices and procedures to ensure that it is well placed to maintain its good safety record and also prepare for any future enhanced requirements mandated by the imminent introduction of the new HASAW Act in 2014 (this will replace the venerable HSE Act 1992 in its entirety).

The two operating divisions of WCCL (Cable Car and Trolley Bus Traction Services) have historically had their own health and safety plans and management procedures. These have now been merged and a single point of contact established with overall responsibility for policy lead and implementation of coherent working practices across both operating divisions. There have also been subtle changes to other processes to ensure that WCCL remains "ahead of the curve" in the transition to the new regime envisaged under the new HASAW Act and the incorporation of Worksafe New Zealand.

At a governance level, Health and Safety reporting is a mandatory item at all Board meetings, ensuring that Directors remain apprised of current statistics and any developments arising.

The Cable Car operates under a licence granted by the NZTA Rail Safety Regulator and follows well established procedures for the investigation and reporting of any near misses or accidents. The vast majority of reported statistical events comprise either slips, trips or falls, or members of the general public who have injured themselves elsewhere and ask for first aid assistance whilst travelling on the Cable Car.

As a result, WCCL has in place appropriate Health and Safety policies, practices and procedures to meet its responsibilities covering hazard identification and management, emergency planning, accident reporting, investigation management, contractor management and safe work procedures (incorporating appropriate Safe Systems of Work).

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, however the Cable Car Asset Management Plan will be fundamentally rewritten during 2014 to take into account subtle changes in engineering preventative maintenance procedures and practices, and observed physical loads carried by the Cable Car that have become apparent since the new CEO (who is a Chartered Engineer) joined in October 2013.

Maintaining adequate funding to meet the requirements of the long-term Cable Car capital investment plan must be accorded a high priority as several significant large equipment replacement programmes will be needed over the next 10 years.

c) Staff Engagement and Training:

The two operating divisions of WCCL each have staff engagement responsibilities and conduct a variety of training to support their activities as well as continuing professional development for employees. Some training is conducted in house or using services provided by sister CCOs and Trusts, but WCCL also engages external training providers. These are essential for customer service (“front-of-house”) related activities, first aid, HT driver training, specialist technical training (noting the unique nature and design of the Trolley Bus network and the skills required for its upkeep), and IT (including computer-aided design and project management).

d) Emergency Planning and Business Continuity:

WCCL has a disaster recovery plan, which focuses on effective communications with staff and the general public in the event of an emergency event, as well as IT system and data recovery, bearing in mind the importance of maintaining Cable Car and Trolley Bus passenger services for the general public in the event of accidents, incidents and natural disasters.

e) Environmental Impact Assessment and Practices:

WCCL does not produce high levels of waste or contaminated materials, and therefore does not have a highly developed environmental impact procedure for analysing its carbon footprint. However, it does undertake sensible initiatives including separation and recycling of waste paper products, plastics, aluminium tins, food waste, conventional garbage and metals (ferrous and non-ferrous).

f) Risk Management:

The company’s Risk Management Policy is to actively manage risk by assessing risks on at least an annual basis, using the methodologies and practices laid down in AS/NZS ISO 31000:2009 (Risk Management). These risks are identified and actively managed under the following categories:

- a) Health and Safety
- b) Environment
- c) Assets Management
- d) Financial and Commercial
- e) Statutory and Legislation
- f) Corporate
- g) Project
- h) Operational
- i) HR
- j) IT

In each category all aspects of the business have been considered and the level of risk assessed and risk mitigation actions determined as appropriate using the principles of isolate, eliminate or minimise wherever practicable.

WCCL currently has the following risks that have a High or Extreme Risk Assessment:

Category	Description	Level	Control Method
Corporate	WCCL (CCO Restructure) – restructure or reorganisation of the business arising from local government reorganisation or the cessation of Trolley Bus operations in Wellington	High	Minimise (Communication Strategy and Stakeholder Engagement) - ensure all relevant parties and stakeholders are aware of the benefits and risks of WCCL's CCO status and the expertise that WCCL possesses that can assist strategic change of publically-funded transport operations.
Health and Safety / Asset Management	Trolley Bus (Electrical Fault Protection on Overhead Electrical Network) – lack of electrical fault protection in accordance with modern electrical safety regulations.	High	Eliminate (TBOP project funded by GWRC) – prototype fault protection device is being trialled in Kilbirnie. Field performance will predicate the way ahead for electrical fault protection for the whole network.
Financial and Commercial / Asset Management	Cable Car (Earthquake Damage to Cable Car Infrastructure) – WCCL has insufficient funds to repair severe damage caused by a seismic event to Cable Car rolling stock, drive machinery, terminus buildings and platforms.	High	Minimise (Insurance Cover and Earthquake Insurance Excess Reserve Fund) – assets are insured to 40% of the replacement value, earthquake insurance excess reserve fund is maintained.
HR / Asset Management	Trolley Bus (Heavy Reliance on very small number of Senior Experienced Technical Personnel) – uncertainty over the long-term future of Trolley Bus operations and an improvement in the local employment market may lead to staff attrition	High	Minimise (Retain Key Personnel) – WCCL works hard to provide enjoyable and rewarding employment conditions, and key personnel are remunerated and rewarded accordingly to recognise their hard work, loyalty, key skills and experience.
HR / Asset Management	Cable Car (Heavy Reliance on very small number of Senior Experienced Technical and Managerial Personnel) – uncertainty over long-term future of WCCL CCO status may lead to staff attrition	High	Minimise (Retain Key Personnel) – WCCL works hard to provide enjoyable and rewarding employment conditions, and key personnel are remunerated and rewarded accordingly to recognise their hard work, loyalty, key skills and experience.

7. Additional Information

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

The WCC Letter of Expectations for 2014/15 has advised WCCL it wishes it to:

1. **Assist in implementing the recommendations from the Cable Car Precinct research project.**

WCCL is fully committed to assisting wherever possible to implement these.

2. **Co-operate with WCC and GWRC to provide information and feedback in relation to the future of the trolley bus overhead network.**

As outlined in Section 4 of this Statement of Intent, WCCL is fully committed to ensuring all relevant parties have the information required in order to make an informed decision on the future of Trolley Bus services in Wellington City.

3. **Commitment to Accessibility Wellington Action Plan**

WCCL is committed to reducing and eliminating social and physical barriers in its facilities and services, to help achieve the aims of the Accessible Wellington Action Plan. The Cable Car Passenger Service is fully compliant with this and is accessible for disabled passengers. In addition, the Lambton Quay and Kelburn stations have braille signage on the platforms immediately adjacent to the Cable Car entry positions.

4. **Wellington City Council's Living Wage Initiative**

WCCL is committed to undertaking an assessment of the impact of the Living Wage initiative on WCCL and how it would be implemented, when required to do so.

b) Ratio of Shareholders Funds to Total Assets

1. 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 but is not applicable in the case of WCCL as the Company is self-sufficient financially and pays all amounts in respect of dividends when they are declared. As at 30 June 2013, the shareholders' funds equated to \$7.62m.

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 2013, the Total Assets of the Company equated to \$9.92m.

Ratio of Shareholders Funds to Total Assets as at 30 June 2013 – 76.8%.

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 Policy is now revised to:

“The company will pay the shareholder a dividend for the 2013/14 financial year, payable in 2014/15, subject to the Directors discharging their statutory duty in making that decision each year.

The Directors are cognisant of the shareholder’s 10 year Long Year Term Plan, which budgets for net dividends totalling \$2,500,000 to be declared and paid by WCC over the 10 year term commencing in 2012/13 , and are endeavouring to providing a return to the shareholder commensurate with that plan.

The Directors consider that based on the current business operations of the Company, this policy permits payment of a prudent portion of the company’s net profit, as dividend, from the current net profit after tax earned, while ensuring that the company’s financial strength is maintained. If requested by the shareholder, the Directors are willing to review the matter, always taking into account their statutory duty.”

The Board and Management of the Company are continuously investigating additional revenue earning streams, and the result of these activities may require initial capital investment in order to provide increased revenue (and therefore dividend) streams in future years.

The Directors anticipate net profits will increase as more revenue is earned from an increase in Cable Car passenger revenue following completion of the new Cable Car Kelburn terminus given its iconic status in Wellington. As part of this new terminus, management are investigating additional revenue streams that may be open to the Company.

Balanced against this is the long-term requirement to ensure that the capital investment programme is adequately funded, bearing in mind several significant Cable Car equipment replacement programmes will be required. Some examples are listed below which are considered the bare minimum to maintain the operation at an acceptable level of performance and customer experience, however, the Cable Car is an iconic attraction and WCCL wishes to maintain the highest levels of service and customer experience wherever possible:

- a) Replacement of the Passenger Gates and Point-of-Sales / Ticketing System (2014/15)
- b) Upgrade of the Cable Car Drive and Programmable Logic Control Systems (2015/16)
- c) Replacement of the Cable Car Passenger Vehicles and Bogies (2021/22)

It is WCCL’s intention to be able to fund capital programmes without the requirement for financial support from its shareholder.

In addition to the dividend, there are other payments that WCCL makes to its shareholder as a consequence of WCCL's structure as an independent entity and its business operations that would not otherwise be received if an internal WCC division. The primary mechanism for this is a subvention payment to Wellington City Council in lieu of income tax, which on average over the last period of time has exceeded \$200,000. There are also consent payments made to WCC as part of the Trolley Bus operations, which are ultimately funded by GWRC.

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 binding commitments are entered into.

Activities for which the board seeks compensation from a local authority

The Company obtains funding from the following sources, noting that no operational or capital funding is currently provided by WCC:

- The company is funded by GWRC to operate and maintain the Trolley Bus overhead electrical network, including replacement of key degraded sections that will become unsafe to operate if not replaced in a timely fashion. The other activities of WCCL will not subsidise the funding needed for the maintenance and replacement of the Trolley Bus overhead electrical network;
- The Cable Car operation will be funded from fares and any enhanced tourism activities, including any prospective retail and marketing opportunities;
- Income from undertaking miscellaneous services for third parties relating to the Trolley Bus overhead electrical network, including project management (for example, the Memorial Park Alliance road construction project);
- Utility companies that currently pay for access to and use of Trolley Bus poles;

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 or other funding sources to restore an adequate level of income to meet the business's requirements.

d) 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 2013, is \$7.62m.

The commercial value is reassessed annually, following completion of the audited annual report of the Company.

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

Nil.

f) Supplementary information the entity wishes to include**1. Insurance Programme**

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

(1) 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. The Company maintains an investment fund which exceeds any excess payable under this insurance policy to ensure sufficient business operations funds exist at any point in time.

(2) 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 through and introduction by WCC 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.

(3) 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 historically these have been not economically viable. It is understood that electricity Lines companies (for example, WE, Vector) generally do not have insurance cover for this type of infrastructure.

The warehouse and contents, including inventory and equipment is insured with a NZ-based insurer (Aon).

Motor Vehicles are insured with a NZ-based insurer (Aon).

Liability covers are insured with a NZ-based insurer (Aon).

Appendix 1: Accounting Policies

1. 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 for Wellington Cable Car Limited are for the year ended 30 June 2014, and were approved by the Board on 28 March 2014.

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.

(a) **Statement of Compliance**

The financial statements have been prepared in compliance with New Zealand generally accepted accounting practice (NZ GAAP), applying differential reporting.

(b) **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.

(c) **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.

(d) **New and amended standards adopted by the Company**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

(e) Standards, amendments, and interpretations issued but not yet effective that have not been early adopted early, 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.
- The new for-profit accounting standards framework is required to be adopted for reporting periods beginning on or after 1 December 2012. The Company has not yet assessed the effect of the new framework and expects it will not be early adopted.
- NZ IFRS 13 Fair value measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS19 Employee benefits, was amended in June 2011. The impact on the Company will be as follows: to immediately recognise all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments. The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company is classified as a Tier 1 reporting entity and it will be required to apply full NZ IFRS.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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

- 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.

2. 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

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.

Trolley Bus 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. 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% - 33%
Computer Equipment	33%
Motor Vehicles	20%
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:

Computer Software	3 years
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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.

(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.

WCCL has the following non-derivative financial instruments.

(i) 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. These 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.

(ii) 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 primary source of income. Additional revenue is sought from retail or sponsorship opportunities in collaboration with third parties that arise (for example, the NZ Festival)

Additional revenue is received from projects in relation to the Traction Network to modify the network at the request of outside parties and there are 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.

(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.

Appendix 2: Forecast Financial Statements

Wellington Cable Car Limited - Business Plan
Statement of Comprehensive Income for the years ending 30 June 2015, 2016 and 2017

	2015 - Qtr 1 \$000	2015 - Qtr 2 \$000	2015 - Qtr 3 \$000	2015 - Qtr 4 \$000	2015 - Total \$000	2016 \$000	2017 \$000
<u>OVERHEAD DIVISION</u>							
Income	2,556	2,556	2,556	2,556	10,223	8,285	4,689
Contractor Operations Costs	420	420	420	420	1,681	1,722	1,764
Wellington Cable Car Operations Costs	275	275	275	275	1,099	1,172	1,199
Improvement	0	0	0	0	0	0	0
Total Operating Expenses	695	695	695	695	2,780	2,895	2,963
Operating Surplus/Loss before Replacements	1,861	1,861	1,861	1,861	7,442	5,391	1,726
Reactive Maintenance	138	138	138	138	551	551	551
Pole Replacements	178	178	178	178	713	719	726
Feeder Pillar Replacements	25	25	25	25	101	106	110
Special Works Replacement	34	34	34	34	137	143	149
Contact Wire Replacements / Rentensions	679	679	679	679	2,715	1,922	140
AMP Expenditure	0	0	0	0	0	0	0
Total Replacements	1,054	1,054	1,054	1,054	4,217	3,441	1,676
Total 3rd Party Jobs Completed	0	0	0	0	0	0	0
Overhead Division Items Subject to Business Case to GWRC							
Investigation Funding	13	13	13	13	50	50	50
Contact Wire Replacements / Rentensions	0	0	0	0	0	0	0
Other Network Upgrade Expenditure	794	794	794	794	3,175	1,900	0
Total Maintenance cost	1,861	1,861	1,861	1,861	7,442	5,391	1,726
Depreciation	53	53	53	53	212	202	192
Total Expenses	2,609	2,609	2,609	2,609	10,435	8,487	4,881
Overhead Overall Surplus/ (Loss)	(53)	(53)	(53)	(53)	(212)	(202)	(192)

	2015 - Qtr 1 \$000	2015 - Qtr 2 \$000	2015 - Qtr 3 \$000	2015 - Qtr 4 \$000	2015 - Total \$000	2016 \$000	2017 \$000
<u>COMPANY ACTIVITIES DIVISION</u>							
Cable Car Income	375	636	883	388	2,283	2,306	2,329
Cable Car Operations	219	219	219	219	874	899	923
Cable Car Maintenance	161	161	161	161	643	548	586
Depreciation	39	39	39	39	155	148	140
Cable Car Expenses Subtotal	418	418	418	418	1,672	1,594	1,650
Electric Bus Income	4	4	4	4	15	20	25
Electric Bus Operations	1	1	1	1	4	4	5
Electric Bus Maintenance	4	4	4	4	16	18	20
Electric Bus Expenses Subtotal	5	5	5	5	20	22	25
Cable Car Operating Surplus/ (Loss)	(44)	216	464	(31)	606	709	679
EXTERNAL ACTIVITIES							
3rd Party Services Net Contribution	2	2	14	14	33	8	8
Sundry External Income	38	38	38	38	152	152	152
External Activities Operating Surplus / (Loss)	40	40	52	52	185	160	160
Administration Expenses	82	82	82	82	328	334	341
External Activities Division Surplus/ (Loss)	(86)	174	434	(60)	462	535	498
WELLINGTON CABLE CAR - TOTAL SURPLUS/ (LOSS) BEFORE TAX	(139)	121	381	(114)	250	333	307
Tax expenses							
Subvention Payment	0	0	91	0	91	114	108
WELLINGTON CABLE CAR - TOTAL SURPLUS/ (LOSS) AFTER TAX	(139)	121	290	(114)	159	219	199
	0	0	0	0	(0) check	0	(0)
The Total Surplus / (Loss) After Tax Consists of:							
Total Income	2,987	3,248	3,508	3,013	12,755	10,771	7,203
Total Expenditure	(3,126)	(3,126)	(3,217)	(3,126)	(12,596)	(10,552)	(7,004)
	(139)	121	290	(114)	159	219	199
	0	(0)	0	(0)	(0)	(0)	0

Wellington Cable Car Limited - Business Plan**Statement of Movements in Equity for the years ending 30 June 2015, 2016 and 2017**

	Notes	2015 \$000	2016 \$000	2017 \$000
Opening Equity - 1 July		7,623	7,732	7,855
Net Surplus/(loss) for the period		159	219	199
Total Recognised Revenues and Expenses		<u>159</u>	<u>219</u>	<u>199</u>
Distribution to Owners		(50)	(95)	(131)
Closing Balance 30 June		<u><u>7,732</u></u>	<u><u>7,855</u></u>	<u><u>7,923</u></u>

Wellington Cable Car Limited - Business Plan**Statement of Financial Position for the years ending 30 June 2015, 2016 and 2017**

	Notes	2015 \$000	2016 \$000	2017 \$000
CURRENT ASSETS				
Bank	1	293	428	95
Inventory		650	650	650
Work In Progress		50	50	50
Accounts Receivable		<u>400</u>	<u>400</u>	<u>400</u>
		1,393	1,528	1,195
FIXED ASSETS				
	2	<u>8,012</u>	<u>8,029</u>	<u>9,458</u>
TOTAL ASSETS		<u>9,406</u>	<u>9,557</u>	<u>10,653</u>
CURRENT LIABILITIES				
Accounts Payable/Accruals		929	957	985
Current Portion of Term Loan		<u>-</u>	<u>-</u>	<u>-</u>
		929	957	985
NON CURRENT LIABILITIES				
ANZ Bank Loan		-	-	1,000
Deferred Tax Liability		745	745	745
Employee Retirement Gratuity		<u>-</u>	<u>-</u>	<u>-</u>
		745	745	1,745
NET ASSETS		<u><u>7,732</u></u>	<u><u>7,855</u></u>	<u><u>7,923</u></u>
SHAREHOLDERS' FUNDS				
Represented by:				
Authorised Capital				
Ordinary Shares at \$1 fully paid		7,435	7,435	7,435
Retained Earnings		<u>297</u>	<u>420</u>	<u>488</u>
		<u><u>7,732</u></u>	<u><u>7,855</u></u>	<u><u>7,923</u></u>
		-	-	-

Notes and Assumptions:

- 1 Bank balance has been taken as the balancing figure and includes any short term deposits .
- 2 Fixed assets include the capital expenditure as included in the 2014-15 detailed budget report including replacement of the Cable Car Electric Drive and PLC in the 2016-17 year.
- 3 Adjustment to revaluation reserve and Fixed Assets may be required for Poles
- 4 Distribution to owners factored in based on policy of 60% of after tax profit, with the exception for the 2015 year as the 2014 year is forecast to be a minimal accounting result, so the \$50k is a proposed

Wellington Cable Car Limited
Statement of Cash Flows
For the Years Ended 30 June 2015, 2016 and 2017

	Year Ended 30 June 2015	Year Ended 30 June 2016	Year Ended 30 June 2017
Cash flows from operating activities			
<u>Cash was received from:</u>			
Operating receipts	12,639	10,705	7,137
Interest received	66	66	66
<u>Cash was disbursed to:</u>			
Payments to suppliers and employees	(12,641)	(10,061)	(6,536)
Net cash inflow / (outflow) from operating activities	<u>65</u>	<u>710</u>	<u>667</u>
Cash flows from investing activities			
<u>Cash was received from:</u>			
Investments	-	-	-
Sale of Fixed Assets	-	-	-
<u>Cash was applied to:</u>			
Purchase of fixed assets	(378)	(366)	(1,761)
Net cash inflow / (outflow) from investing activities	<u>(378)</u>	<u>(366)</u>	<u>(1,761)</u>
Cash flows from financing activities			
<u>Cash was received from:</u>			
Term Loan	-	-	-
<u>Cash was applied to:</u>			
Payment of Dividend	(50)	(95)	(131)
Term Loan	-	-	1,000
Payment of Tax	-	-	-
Subvention Payment	(91)	(114)	(108)
Net cash inflow/(outflow) from financing activities	<u>(141)</u>	<u>(209)</u>	<u>761</u>
Net Increase/(decrease) in Cash held	<u>(454)</u>	<u>135</u>	<u>(333)</u>
Opening Cash Balance	748	293	428
Closing Cash Balance	<u><u>293</u></u>	<u><u>428</u></u>	<u><u>95</u></u>