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Wellington Cable Car Limited

Statement of Intent 2010/2011

Draft – Amended 16 April 2010

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CONTENTS

Introduction	3
Purpose of Statement of Intent	3
Board Structure and Function	3
Responsibilities of the Directors	4
Delegated Functions	4
Primary Business Activities of WCCL – Nature and Scope.....	4
The Objectives of WCCL’s Board	5
General Objectives of WCC for WCCL.....	6
Risk Management	9
Procedure for Share Acquisitions, Purchase/Sale of Assets	9
Performance Targets and Other Measures for 2010/11	10
Cable Car Service Performance Measures.....	10
Trolley Bus Overhead Network Service Performance Measures	10
All of WCCL Activities Performance Measures.....	11
Cable Car Patronage	12
Trips Paid by Multi-trip Concession Ticket	12
Trips Paid by Cash (Single or Return).....	12
All Passenger Trips.....	12
Wellington Residents Satisfaction Survey:.....	13
Dividend Policy	14
Information provided to the Shareholder.....	14
Activities for which Compensation is Sought.....	14
Long Term Council Community Plan.....	15

DRAFT

INTRODUCTION

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

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

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

PURPOSE OF STATEMENT OF INTENT

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

This SOI sets out the objectives and performance targets for WCCL for the twelve months to 30 June 2011, and describes the nature and scope of the activities to be undertaken by WCCL to achieve its objectives and performance targets.

BOARD STRUCTURE AND FUNCTION

The Board of Directors comprises three members. All are appointed by WCC for varying first terms of one to three years. According to WCC policy there is a maximum length of service of six years.

The Chairman is appointed by WCC.

The Board is currently meeting bi-monthly.

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RESPONSIBILITIES OF THE DIRECTORS

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.

PRIMARY BUSINESS ACTIVITIES OF WCCL – NATURE AND SCOPE

The primary business activities of WCCL are:

- a) Maintain and operate the Wellington Cable Car system 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;
- b) Maintain the trolley bus overhead wire network funded via a contract with GWRC;
- c) 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;
- d) Undertake other contracts related to network modifications and services, on a commercial basis.

THE OBJECTIVES OF WCCL'S BOARD

Effective management of the primary business activities of WCCL;

Safety in order to meet statutory requirements and to provide the appropriate levels of service reliability :

Ensuring the ongoing safe and efficient operation of the Cable Car system;

Ensuring the ongoing safe and efficient operation of the Trolley Bus Overhead Network;

Customer service standards such that the cable car business is enhanced and meets or exceeds standards measured through ratepayer surveys conducted by WCC;

Effective management of WCCL's transition from a Public Benefit Entity to a Profit Oriented Entity;

Earn an appropriate rate of return on the pole assets through revenue from the pole users (GWRC and utilities);

Ensure that the trolley bus overhead network costs are not subsidised by other activities of WCCL;

Ensure that the company's risk profile is appropriate, through review of the Risk and Vulnerability schedule prepared by management. This schedule identifies risks and their impacts, and the actions necessary to mitigate or control the risks;

The routine management reports to the Board of Directors will continue to identify issues which impact on the companies risk profile;

The company's management of risk will be reviewed and reported upon by the Auditor on an annual basis.

External resources will be deployed to supplement the skills that are held by Directors, management and staff;

Practice environmental responsibility with respect to the company's activities, by considering the effects of its activities on climate change, waste minimisation and carbon costs, and planning and implementing practical responses;

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Ensure that specific matters raised by WCC in its Letter of Expectations for 2010/11 are appropriately planned and implemented:

Improve cable car users' experience in the Kelburn precinct:

Repair or upgrade of the Kelburn Terminal;

Coordination with other stakeholders in the tourist precinct;

Initiatives to support and benefit from RWC 2011 to be planned and implemented:

At cable car terminals at Lambton Quay and Kelburn;

Continue cooperative relationships with stakeholders in provision of the trolley bus service to optimise reliability and performance of the service, by WCCL implementing the initiatives required of it;

Maintenance and installation work on the trolley bus overhead network to be programmed to minimise disruption during RWC 2011.

GENERAL OBJECTIVES OF WCC FOR WCCL

In its Letter of Expectations dated 29 January 2010, WCC has noted its general objectives for WCCL. The following table records the activities that WCCL will undertake to meet WCC's general objectives for WCCL.

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Table of General Objectives of WCC for WCCL	
WCC General Objectives	WCCL Activities to meet WCC's General Objectives
<i>i) Have a partnership approach with WCC and other CCOs</i>	<p>a) The company will communicate with the Shareholder on a regular basis particularly after Board meetings.</p> <p>(b) The company will co-operate with other CCO's in developing future packages and enhancements for tourism related activities, including planning for Rugby World Cup 2011.</p>
<i>(ii) Have a regional focus, where this is appropriate</i>	The company's Marketing Plan will include attracting visitors from other regions of New Zealand and internationally.
<i>(iii) Appropriately acknowledge the contribution of WCC</i>	The company includes WCC logos on marketing material and communications where appropriate
<i>(iv) Achieve maximum effectiveness and efficiency of, and concentrated focus on, service delivery</i>	<p>(a) The company will 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.</p> <p>b) The company will manage the cable car assets through its Cable Car Asset Management Plan, anticipating potential obsolescence and failure modes with the objective of having zero breakdowns.</p> <p>c) The company will train cable car staff to ensure that breakdowns due to operator error are minimised.</p> <p>d) The company will manage the maintenance of the trolley bus overhead network through its Trolley Bus Overhead Network Asset Management Plan,</p>

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	<p>with the objective of minimising breakdowns and facilitating an effective trolley bus service, as required by the GWRC and the trolley bus operator.</p> <p>e) Monitoring overseas developments in equipment and techniques and adopting as appropriate.</p>
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Table of General Objectives of WCC for WCCL	
<i>WCC General Objectives</i>	WCCL Activities to meet WCC's General Objectives
<p><i>(v) To operate at breakeven or better after depreciation expense, enabling the payment of a dividend to the shareholder of 60% of net profit after tax</i></p>	<p>(a) The company will continue to develop areas other sources of income arising from the ownership and management of its assets;</p> <ul style="list-style-type: none"> • providing third party services on a commercial basis, • establishing pole user charges from all parties utilising WCCL's pole assets; <p>(b) The company will use reasonable endeavours, (working within GWRC processes and in consultation with WCC) to seek adequate contract payments from the Greater Wellington Regional Council to cover the trolley bus overhead expenditure necessary to provide adequate asset maintenance;</p> <p>(c) The company will set revenue targets for the cable car operation to cover the operation and maintenance expenditure.</p>

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 review the Risk and Vulnerability 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.

PROCEDURE FOR SHARE ACQUISITIONS, PURCHASE/SALE OF ASSETS

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

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

PERFORMANCE TARGETS AND OTHER MEASURES FOR 2010/11

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 by February each year.	Approval received by 28 February 2011
Cable Car service reliability	Percentage reliability	Greater than 99%
Cable Car Tourism - New initiatives are proposed for implementation	Selected new initiatives adopted, and scheduled for implementation	New initiatives scheduled for year ended 30 June 2011 implemented on time

TROLLEY BUS OVERHEAD NETWORK SERVICE 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
Trolley Bus Overhead Network Draft Asset Management Plan prepared	Draft Asset Management Plan completion	Draft Annual AMP 2011/12 prepared by 31 August 2010
Trolley Bus Network Poles identified in AMP 2010/11 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

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 2011.
GWRC funding agreement being complied with.	Number of breaches of agreement	Nil breaches by WCCL
Performance requirements in the GWRC Trolley Bus Overhead funding agreement are met.	GWRC Contract payments received Other Contract Requirements	Paid in accordance with agreed funding levels No complaints from GWRC

ALL OF WCCL ACTIVITIES PERFORMANCE MEASURES

Performance indicator	Measure	Target/Result
Compliance with appropriate regulations and statutes	Number of adverse comments from the relevant regulatory authorities.	Nil adverse comments
Budgetary requirements approved by the WCCL Board are met	Degree of variance from budget	Within 10% or Board approved variance
Board delegations are adhered to	Board and management approvals of commitments and expenditure	All approvals of expenditure and commitments are in accordance with delegations policy
Company Risks and Vulnerabilities are maintained at an acceptable limit and identified in the Risk and Vulnerability register.	Number of Risk and Vulnerabilities not identified, and where possible, mitigated to an acceptable limit	Nil Risks and Vulnerabilities not identified Nil Risks and Vulnerabilities not mitigated to acceptable limit

CABLE CAR PATRONAGE

TRIPS PAID BY MULTI-TRIP CONCESSION TICKET

2010/11	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Passenger trips	93,700	74,100	94,600	88,500	350,900

TRIPS PAID BY CASH (SINGLE OR RETURN)

2010/11	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Passenger trips	154,500	215,600	267,700	157,300	795,100

ALL PASSENGER TRIPS

2010/11	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Passenger trips	248,200	289,700	362,300	245,800	1,146,000

WELLINGTON RESIDENTS SATISFACTION SURVEY:

The annual survey conducted by WCC asks the questions below. The results of the survey are based on responses from respondents, located within thearea.

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

DIVIDEND POLICY

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

INFORMATION PROVIDED TO THE SHAREHOLDER

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

These include:

- a) Details relating to any proposal by the company to diversify the range or scope of activities beyond those described in this Statement of Intent.
- b) A quarterly report in respect of all activities of the company that will include comment on the performance of the Cable Car passenger service and the maintenance of the trolley bus overhead network.
- c) Half yearly reports prepared in accordance with Local Government Act 2002.
- d) An annual report and audited financial statement as required by the Financial Reporting Act 1993 and clause 67 of the Local Government Act 2002.
- e) Advice, as far as practicable, of any events or activities planned which are likely to arouse significant public interest upon which the shareholder may wish to respond quickly.

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

ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT

1. The company will pursue to the greatest practicable extent the funding from the GWRC needed to maintain the trolley bus overhead network.
2. The cable car operation will be funded from fares and any enhanced tourism activities. The other activities of WCCL will not subsidise the trolley bus overhead operation.

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

LONG TERM COUNCIL COMMUNITY PLAN

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

Long Term Community Outcomes - Urban Development

Contributions By WCCL

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

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

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

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

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

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

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

Wellington will be pedestrian and cyclist friendly"

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

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

Long Term Community Outcomes - Transport Strategy

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

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

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

Wellington will be pedestrian and cyclist friendly"

Contributions By WCCL

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

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

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

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

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

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

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

Long Term Community Outcomes - Economic Development

Contributions By WCCL

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

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

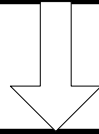
The company will enhance the Cable Car's attractiveness as a Wellington tourist icon.

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

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

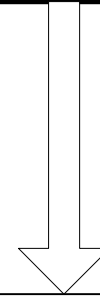
The company will promote in New Zealand and Internationally, Wellington and its attractions that can be accessed by the cable car.

Long Term Community Outcomes - Environment



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

Contributions By WCCL



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

