

Draft 2011/12 SOI Officer Cover Sheet

WELLINGTON CABLE CAR LTD

Topic	CCO Report Page No.	Comment
RWC 2011	6-7	High level only
Closer marketing co-operation	6	High level only
Back office function review	6	
Relevant & focused set of KPIs	11-14	
Risk management	10	Addressed in commentary
Contribution to vision of making Wellington vibrant, internationally competitive and affordable	17-20	
Estimate to June 2011	-	To be included in business plan
Financial forecasts	-	To be included in business plan
Board performance review	-	Addressed in commentary
Analysis on cable car passenger numbers and strategy, particularly for commuters	6	High level only
Continued co-ordination with stakeholders in Kelburn tourist precinct	6	High level only
Plans for the redevelopment of the Kelburn terminal	6	High level only
Update on user pole charges	6	High level only
Update on technical review group	6	High level only

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2011/2012

Wellington Cable Car Limited STATEMENT OF INTENT



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INTRODUCTION

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

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

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

PURPOSE OF STATEMENT OF INTENT

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

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

BOARD STRUCTURE AND FUNCTION

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

The Chairman is appointed by WCC.

The Board is currently formally meeting bi-monthly.

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

RESPONSIBILITIES OF THE DIRECTORS

The responsibilities of the directors include:

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

DELEGATED FUNCTIONS

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

PRIMARY BUSINESS ACTIVITIES OF WCCL – NATURE AND SCOPE

The primary business activities of WCCL are:

1. Provision of the Cable Car passenger service, to meet the needs of local commuters and other users from within New Zealand and internationally, financed from passenger fare income and any additional revenue developed from increasing WCCL's tourism related activity;
2. Provision of the trolley bus overhead network for use by trolley bus services in Wellington City, with income from payments by GWRC under a contract, on a cost recovery basis, to cover reactive and planned maintenance of the existing overhead network;
3. Maintain WCCL's pole network funded via a contract with GWRC and pole user charges from utilities using WCCL's poles to support their networks; and
4. Infrastructure-related activities undertaken within Wellington City on a profit earning basis, being:
 - i) Projects initiated by third parties requiring the overhead network to be relocated and/or modified;

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- ii) Protection of the trolley bus overhead network from damage by escorting high loads through the city, and protection of parties requiring safe access in proximity to overhead lines by de-energising the lines

THE OBJECTIVES OF WCCL'S BOARD

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

THE OBJECTIVES OF WCCL'S BOARD (CONTINUED)

14. Ensuring that specific matters raised by WCC in its Letter of Expectations for 2011/12 are appropriately planned and implemented:
 1. Improve cable car users' experience in the Kelburn precinct:
 - a. Replace Kelburn Terminus, with construction scheduled to commence April 2012, following the busy periods of the Rugby World Cup and the 2011/12 summer tourist season;
 - b. Continue co-ordination of activities and promotion with other stakeholders in the Kelburn precinct;
 2. Strategy to increase cable car passenger numbers (particularly commuters), including implementing actions arising from the comprehensive survey of cable car passengers being undertaken during 2010/11;
 3. Strategies for closer co-operation with both PWT and other relevant CCOs in marketing, promotion and public relations;
 4. Co-operate with WCC in review during 2011/12 of areas to make material efficiency gains in back office functions;
 5. Continue strategy to obtain payment from all users of poles;
 6. Trolley Bus Overhead Network:
 - a. Continue co-operative 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;
 - b. Review outcomes of Technical Review Group and implement actions required of WCCL;
 7. Rugby World Cup 2011:
 - a. Ensure that all preparations are complete for provision by the cable car of a high level of service;
 - b. Implement strategies agreed with PWT and other CCOs in marketing, promotion and public relations as appropriate;
 - c. Maintenance on the cable cars and facilities to be programmed to minimise disruption during RWC 2011;

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- d. Maintenance and replacement 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 25 January 2011, WCC has noted its general objectives for WCCL. The following table records the activities that WCCL will undertake to meet WCC's general objectives for WCCL.

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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 partnership approach with WCC and other CCOs</i>	<p>The company will:</p> <ul style="list-style-type: none"> a) Communicate with the Shareholder on a regular basis particularly after Board meetings; b) Remain committed to its relationship with WCC, and ensure a “no surprises” policy of open communication; c) Co-operate with other CCOs in developing future packages and enhancements for tourism related activities, including planning for Rugby World Cup 2011.
<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>The company will:</p> <ul style="list-style-type: none"> a) Manage the operation of the cable car within the timetable to maximise the throughput of passengers without detracting from the overall experience of visitors to the facility; b) Manage the cable car assets through its Cable Car Asset Management Plan, anticipating potential obsolescence and failure modes with the objective of having zero breakdowns; c) Train cable car staff to ensure that breakdowns due to operator error are minimised; d) Manage the maintenance of the trolley bus overhead network through its Trolley Bus Overhead Network Asset Management Plan, with the objective of minimising breakdowns and facilitating an effective trolley bus service, as required by the GWRC and the trolley bus operator; e) Monitor overseas developments in equipment and techniques and adopt as appropriate.

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

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RISK MANAGEMENT

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

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

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

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

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 2011/12

CABLE CAR SERVICE PERFORMANCE MEASURES

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

TROLLEY BUS OVERHEAD NETWORK SERVICE PERFORMANCE MEASURES

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 2012/13 prepared by 30 August 2011
Trolley Bus Network Poles identified in AMP 2011/12 as requiring urgent and critical replacement are programmed for replacement	Pole replacements completion	Completed in accordance with the programme
Overhead components replacement or repairs	Component programme completion	Replacement completed in accordance with the programme

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

ALL OF WCCL ACTIVITIES PERFORMANCE MEASURES

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
Contribute to review of back office functions	Positive participation in the back office review to be undertaken for efficiency gains	Participation assessed to be positive

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CABLE CAR PATRONAGE

TRIPS PAID BY MULTI-TRIP CONCESSION TICKET

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

TRIPS PAID BY CASH (SINGLE OR RETURN)

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

ALL PASSENGER TRIPS

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

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WELLINGTON RESIDENTS SATISFACTION SURVEY:

The annual survey conducted by WCC asks the questions below:

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

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DIVIDEND POLICY

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

INFORMATION PROVIDED TO THE SHAREHOLDER

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

These include:

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

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

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

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

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

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

ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT

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

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

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

LONG TERM COUNCIL COMMUNITY PLAN

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

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

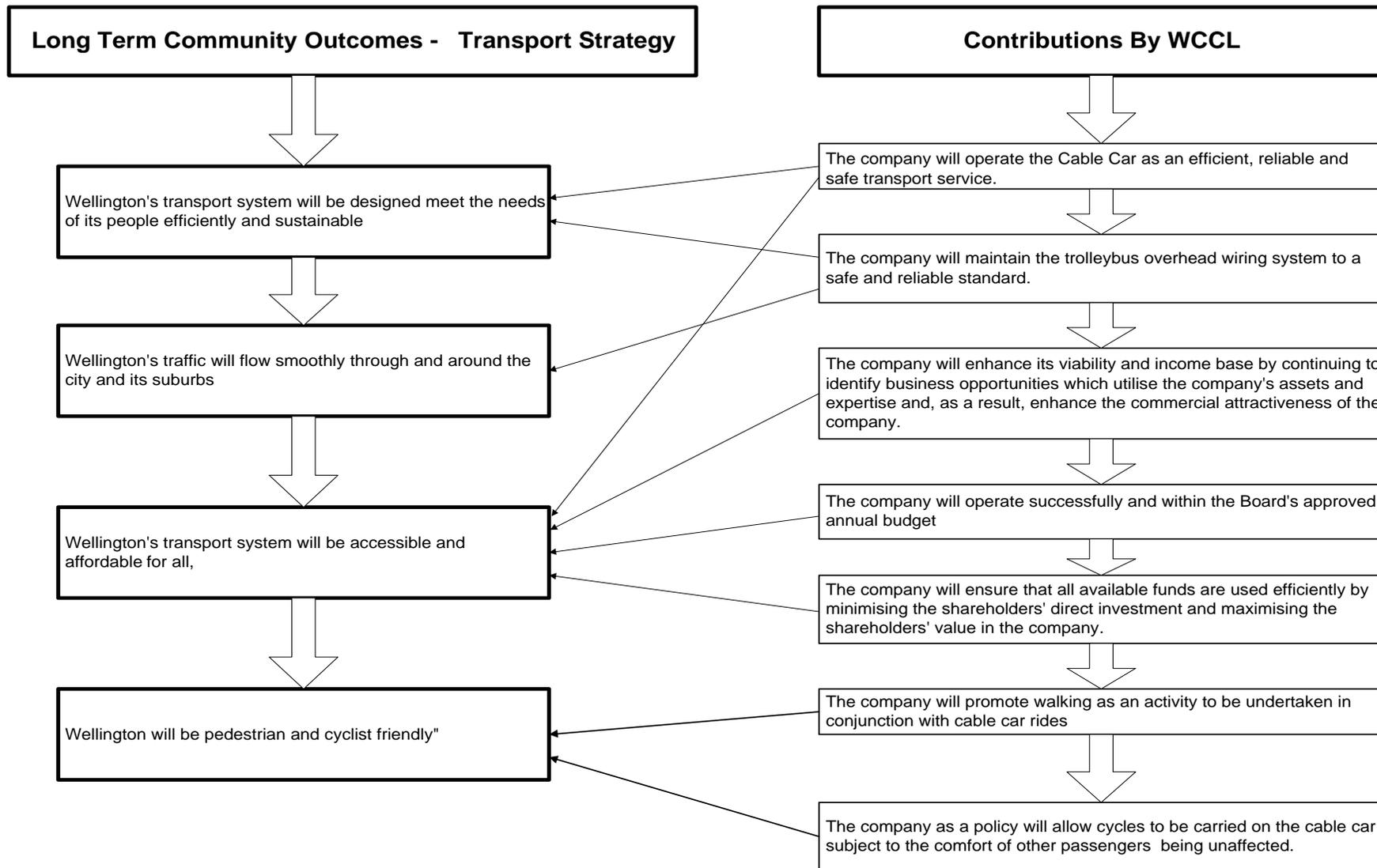
The company will ensure that all available funds are used efficiently by minimising the shareholders' direct investment and maximising the shareholders' value in the company.

Wellington will be pedestrian and cyclist friendly"

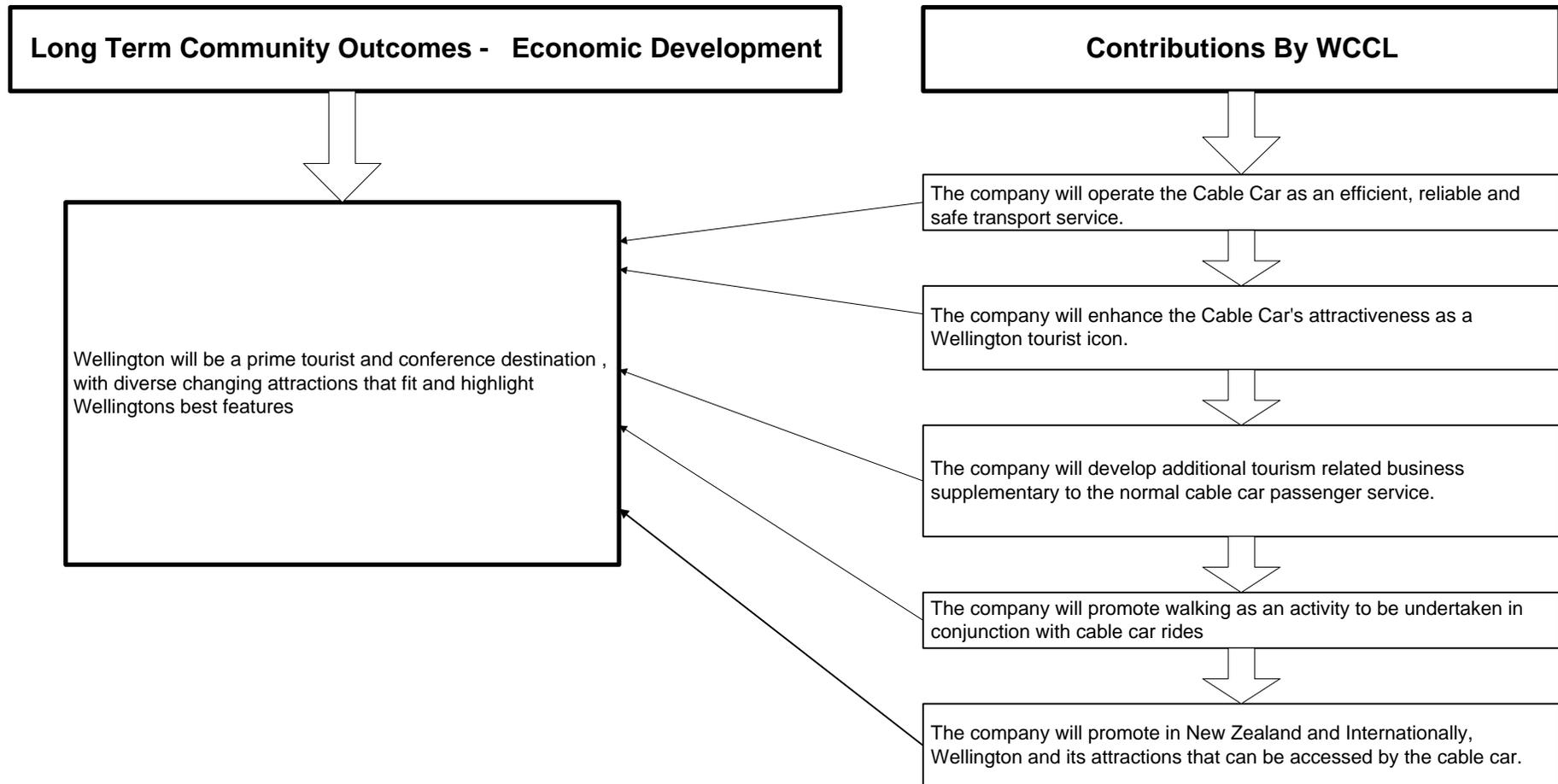
The company will promote walking as an activity to be undertaken in conjunction with cable car rides

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

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