



STATEMENT OF INTENT 2020/21





Presented to
Wellington City Council
in line with the Local Government Act (2002)

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1. Introduction

This Statement of Intent (SOI) is presented to the Wellington City Council (Council) in line with the Local Government Act 2002. It reflects the special interest that the Council has in Wellington Cable Car Limited as a Council Controlled Organisation (CCO) and the Cable Car as an iconic city attraction. This Statement of Intent includes the objectives, governance structure, activities and performance targets of Wellington Cable Car. It responds to the Letter of Expectation and aims to ensure on-going alignment with the Council's plans, policies and strategies. It is also influenced by the:

- operating environment (including market conditions, evolving legislative requirements and customer expectations)
- age and condition of our infrastructure and
- users and community expectations

The performance targets are included for the next three years with a detailed focus on the period from 1 July 2020 to 30 June 2021. The Wellington Cable Car has been operating since 1902; so, we have also included comments on some longer-term and evolving issues and challenges to meet the Council's enduring expectations.

1.1 Background

The Wellington Cable Car is one of the city's best-known tourist attractions. It is a funicular railway with a track length of 602 meters which climbs 120 metres from the Lambton Terminal at the end of Cable Car Lane through to the Kelburn Terminal on Upland Road. The route includes three tunnels and three bridges. The Wellington Cable Car opened in February 1902, and the Cable Car Route is now a Heritage Area.

There have been several equipment upgrades and improvements over time. The most significant of these was the almost complete replacement in 1978/79. This included replacement of the original wooden Cars with steel-framed Cars, the replacement of the drive system, replacement of the original double tracks with a single track and a passing loop. The original wooden viaducts were also replaced in the 1930s with the current hot riveted steel rail beams supported by concrete pillars. More recently the Kelburn terminal was replaced in 2013, and the drive and control systems were replaced in 2016.

The Cable Car was originally developed to provide convenient public transport between the village suburb of Kelburn and the city centre. The Cable Car continues to provide a public transport function but has become the second most visited tourist attraction in the city. It has evolved into an iconic symbol of Wellington as a result of its history and novelty. Now visitors and tourist make up most of the passengers. The continuous increase in the number of cruise ship passengers visiting Wellington means that we expect to see the tourist market continue to grow at a faster rate than the commuter market.

The Cable Car is well maintained, but as a high use public transport asset it now requires more comprehensive maintenance and inspections and forward-looking planning and asset management to ensure that it can continue to provide reliable and safe travel in the future.

The Cable Car is funded solely by passenger revenue and does not receive any other central or local government funding to subsidise it. With the upturn in the local economy and international tourist visitors to New Zealand, the Cable Car carries more than 1.1 million passengers per year.

2. Objectives and Alignment with WCC

2.1 Our Purpose

WCCL operates, maintains, promotes and improves the iconic Wellington Cable Car so that it can continue to provide a unique heritage travel experience to tourists and commuters.

We achieve this by:

- providing excellent customer service;
- maintaining the Cable Car infrastructure to a high standard to achieve or exceed industry standards and visitor expectations;
- actively marketing and promoting the Cable Car as a Wellington tourist attraction and a fast, reliable and efficient transport option between Kelburn and the city;
- prudent financial management to maintain the company's financial sustainability; and
- steadily investing in our infrastructure to ensure that it will continue to comply with industry standards, legal requirements and customer expectations in the future.

2.2 Our Performance

We monitor our performance over the following six categories

- Safety
- Quality
- Quantity
- Efficiency
- Timeliness
- Financial independence

We have developed a performance framework and performance measure to track our performance over these key areas.

2.3 Council's Expectations

At Wellington Cable Car, we are aware of the challenges that the Council faces and the key focus on transformational transport initiatives and responding to the impacts of the Kaikoura earthquake and more recently water infrastructure issues. Wellington Cable Car's response to this is to plan and budget to be financially autonomous in the short and medium-term. Wellington Cable Car has sufficient financial reserves to achieve this while steadily investing in maintenance and capital projects, as long as we do not experience any unforeseen events that have a significant impact on the Cable Car operation.

Wellington Cable Car will continue to remain aligned with the Council's plans, policies and strategies.

Below is a list of specific items raised in the letter of expectation and Wellington Cable Car’s response to each of these:

Council’s Expectations	Wellington Cable Car’s Response
Support Council’s Te Taihira Te Reo Maori Policy	<p>Wellington Cable Car publishes an information brochure in Te Reo Maori and has a Maori language option on the Cable Car website.</p> <p>In 2020-21, we will continue to build the Te Reo Maori capabilities of our staff, by seeking out information about training opportunities and encouraging staff to participate.</p>
Support Te Mapihi Maurea Naming Policy	<p>As Wellington Cable Car facilities are progressively upgraded, we will seek ways to incorporate Te Reo into wayfinding and other signage.</p>
Te Atakura First to Zero Policy	<p>We have commissioned a sustainability audit to get a sustainability rating and recommendations for improvement in electricity use and CO₂ emissions. We expect to have this initial review/assessment completed in Q1 of 2020. The company will consider the report and opportunities to respond in support of Council’s policy.</p>
Accessible Wellington, The Accessible Journey Action Plan 2019	<p>Wellington Cable Car achieved the first Platinum Accessibility Rating of any organisation in Wellington City, in 2018. We remain focussed on improving accessibility for everyone and complete annual assessments and follow-up on recommendation wherever possible.</p>
The vision for Wellington as a creative city (Aho-Tini Strategy)	<p>The company supports local artists wherever possible and will continue to look for ways to use local artwork to enhance the Cable Car visitor experience.</p>
Provide an update on significant upgrade and renewal projects over the next three years	<p>Details on the age and condition of assets are included in section 3.4. Next year we plan to complete track maintenance work, detailed bridge inspections and planning for seismic improvements of the tunnels. Further information is included in section 4.1.</p>

Provide an update on the proposed Car replacement	<p>Work began last year and will continue to systematically inspect and evaluate the condition of the Cars. When this has been completed, we will be able to make an informed decision about the condition and the remaining life.</p> <p>In the interim we are working with the Doppelmayr/Garaventa on geometrical options for replacement Cars, taking into account the physical constraints of the stations, track and tunnels.</p>
Provide an update on the proposed Car replacement Provide an update on Asset Management Planning.	<p>Objective information is being collected on the condition and performance of all our assets, and this evidence base is steadily growing. We now have comprehensive and detailed seismic performance information on our tunnels. We are testing and assessing the condition of the rolling stock every year. We have also recently completed a detailed assessment of the track and sleepers. All this information will be used update our Asset Management Plan in 2020/21.</p>
Kelburn precinct	<p>We will continue to work with Experience Wellington and Zealandia on opportunities to improve the overall visitor experience in the Kelburn precinct at the top of the Cable Car.</p>
Living Wage	<p>Wellington Cable Car supports the Council’s commitment to the Living Wage. All Wellington Cable Car employees are paid at or above the Living Wage.</p>
Health and Safety at Work Act 2015.	<p>Wellington Cable Car is acutely aware of its obligations under the Health and Safety at Work Act 2015. We are always looking for opportunities to improve worker safety and have recently finalised a new Safety Management System. We have regular health and safety meetings to discuss opportunities to assess, eliminate and reduce risks.</p>

3. Context (History and the Operating Environment)

3.1 History

The Wellington Cable Car opened in 1902 but was almost completely replaced in 1979, with the introduction of steel-framed Cars, changing to a pure funicular operation and the track changing from a double track to a single line, with a passing loop. The drive and control system were replaced again in 2016 because key components of the control system were no longer able to be supported.

The tunnels date back to 1902, the bridges to the 1930s and the track and Cars to 1979.

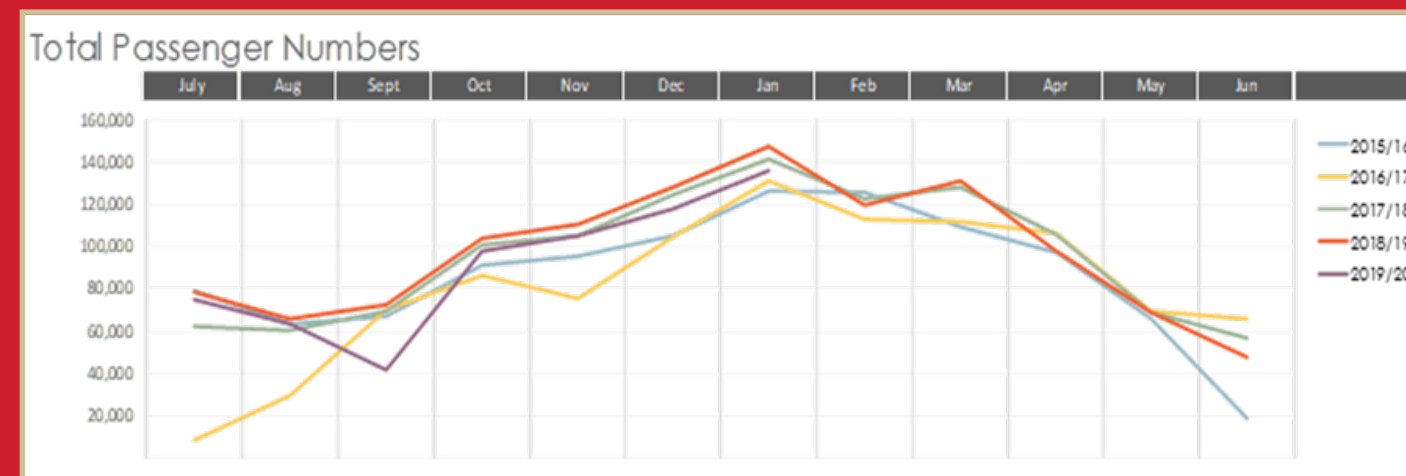
3.2 Market Conditions

The Cable Car is the second most visited tourist attraction in Wellington after the Museum of New Zealand Te Papa Tongarewa and is an iconic attraction for visitors and locals.

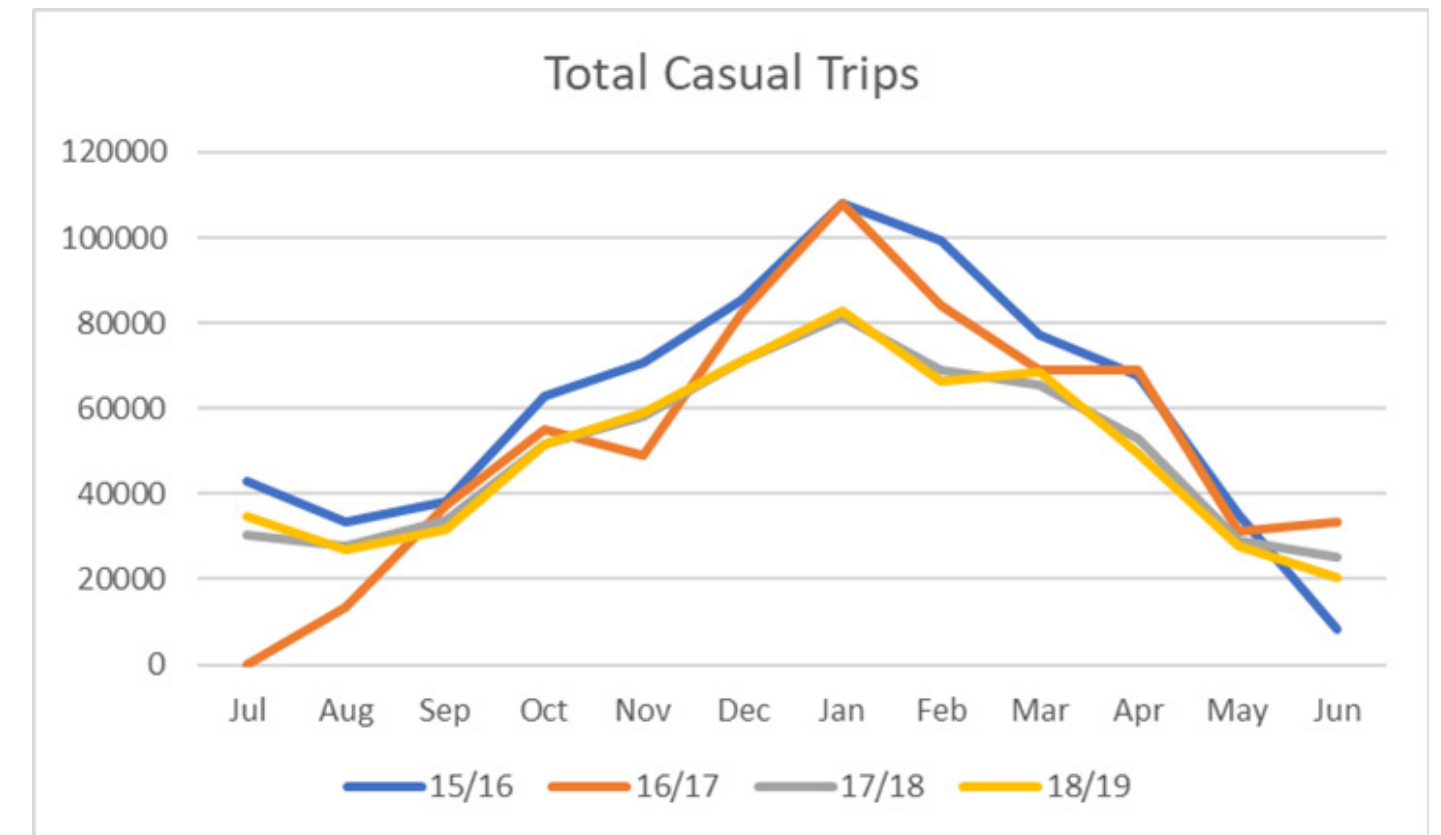
The three main customer groups are:

- Tourists (approximately 650,000 trips per year, largely concentrated between September and April, being cruise ship season in New Zealand).
- Local commuters (approximately 200,000 trips spread evenly throughout the year)
- Students (approximately 180,000 trips per year, with noticeable drops during university and school holidays)

The tourist market has been growing steadily. One key marker of this is cruise ship passengers. Large cultural and sporting events also boost tourist passenger numbers.



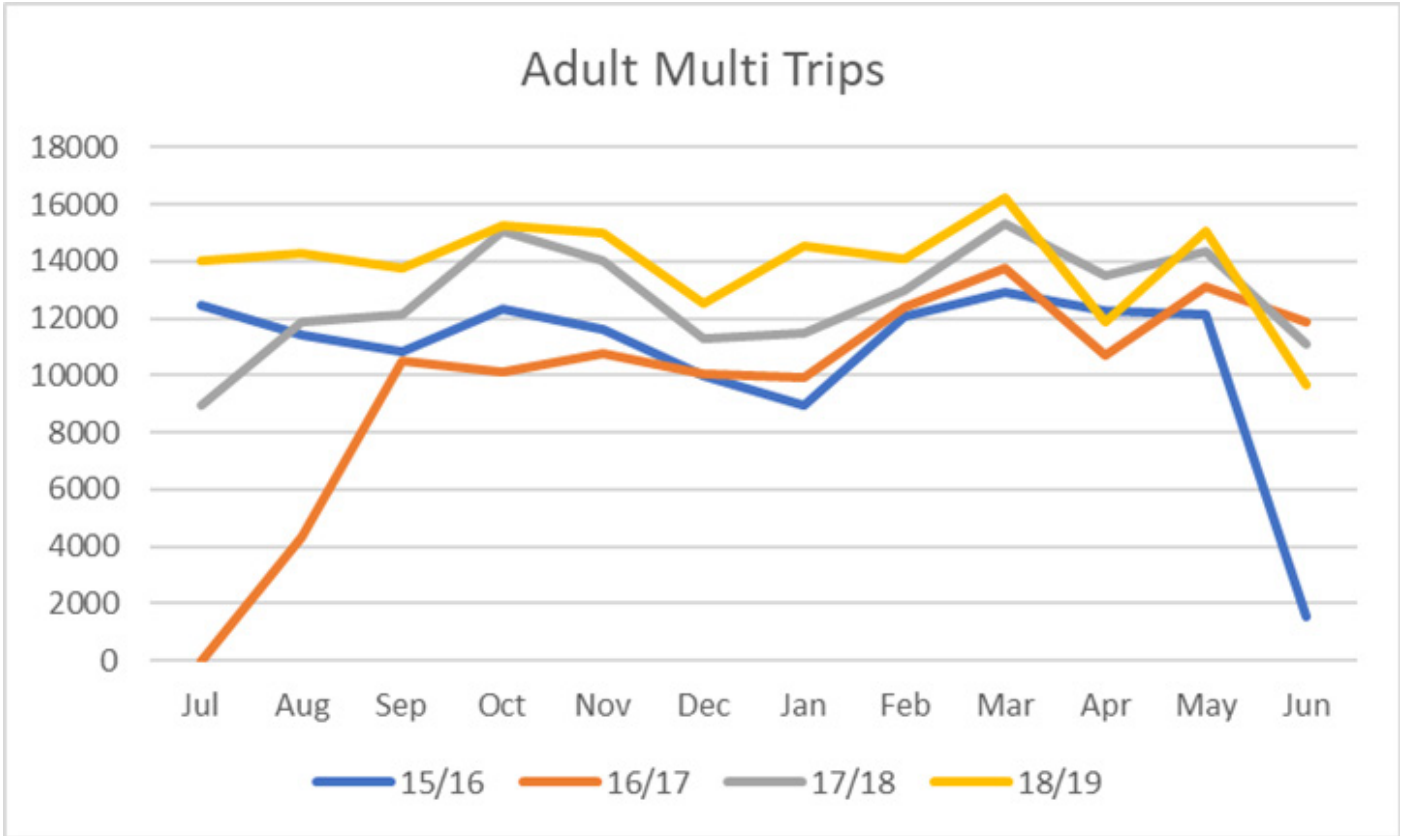
The graph below shows the variable demand throughout the year from tourists.



The tourist market has been growing steadily in Wellington for several years, and for 2019/20 there is a notable increase in cruise ship visits to Wellington, up from 110 ships in 2018/19 to 126 in 2019/20. However, the overall tourist market in Wellington for the first half of 2019/20 is quieter, with the Cable Car experiencing a drop off in passenger numbers of 5% for the first six months over the same period in 2018/19. The Cable Car was previously fortunate in having the cruise shuttle stop positioned 2 minutes away in Brandon Street making us the first point of call for many cruise ship visitors. For the 18/19 & 19/20 seasons the stops have been relocated to Parliament and Wakefield Street which affects our passenger numbers. The Cable Car also relies on big events in Wellington to attract customers, especially domestic tourists. The Great War Exhibition and Terracotta Warriors were two exhibitions that helped boost our passenger numbers. A big draw card for the Cable Car is the Botanic Gardens; however, this is weather dependant and daylight hours only. Continued growth relies on suitable all-weather attractions that can be accessed from the Cable Car.

Our future predictions on passenger numbers in 2020/21 reflect the softening in the market, that we have recently seen, but are consistent with MBIE predictions for growth in 2021/22 and 2022/23. They do not take into account the impact of the Coronavirus. The World Tourism & Travel Council have analysed previous viral epidemics and found that the average time for visitor numbers to recover is 19 months. The issue on the Diamond Princess in Japan may also have a long-term negative effect on the number of people that choose to travel by cruise ship. However, it is still difficult to predict what impact the Coronavirus will have.

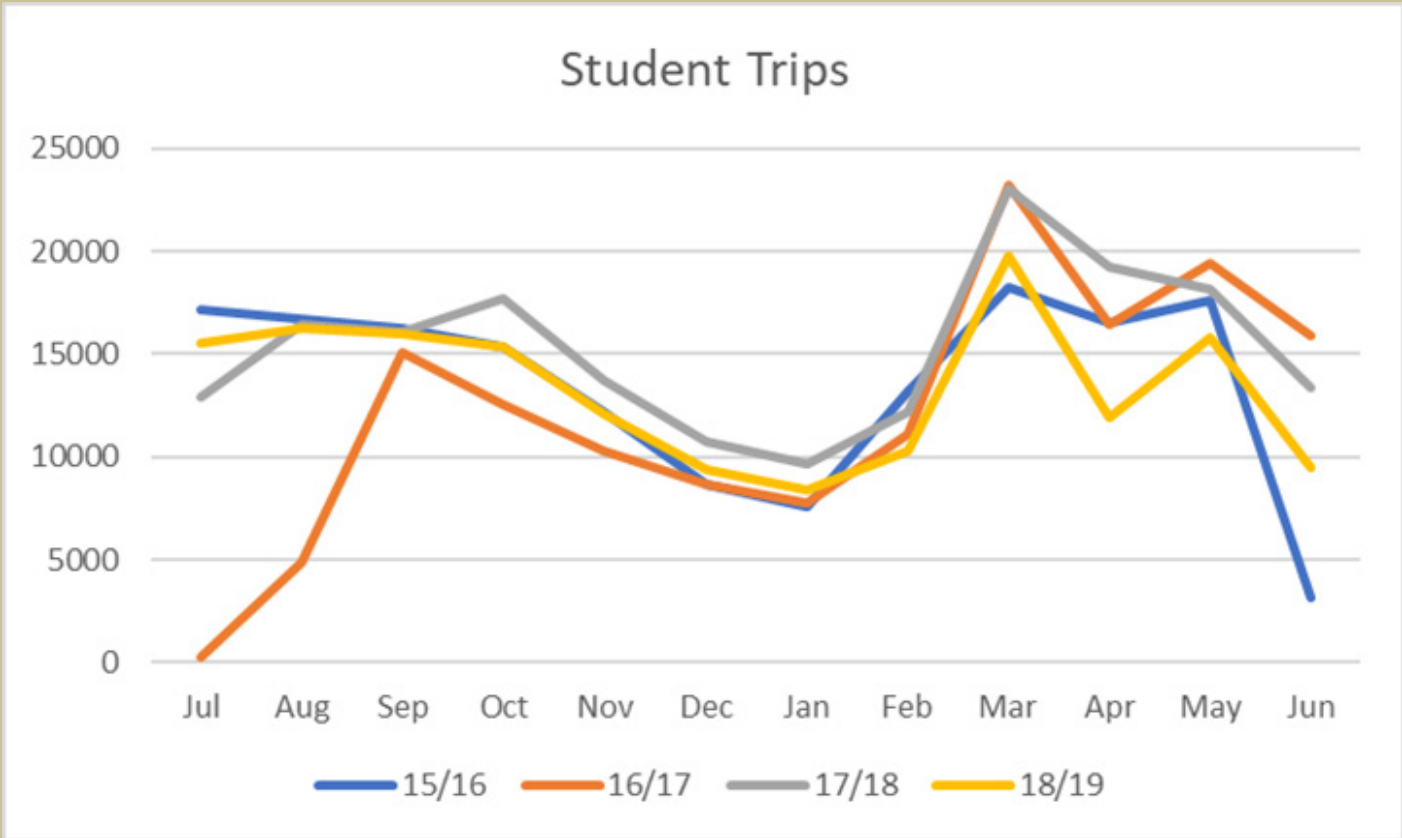
The graph below shows the steady demand from regular commuters. Please note that the dips in 2016 are because we were out of service for 10 weeks for our most recent major upgrade.



Adult commuter trips have grown steadily and are reasonably consistent across the whole year, with a slight drop in numbers in December and January. This group maintains a respectable 58 net promoter score but is the lowest score of our customer segments. The challenge for the Cable Car is to accommodate this regular commuter group throughout the year, even when we have congestion on busy cruise ship days.

The number of students that use the Cable Car continues to reduce. This is a result of the University developing more teaching facilities in the city, such as the Business school, Law School, School of Architecture and Design. Also, student accommodation continues to be developed in the City. In addition to this, the reliability and frequency of bus services between the Railway station and the Kelburn campus has significantly improved since 2010. The Cable Cars appeal is now limited to students staying in the halls of residents near the Cable Car route and those that enjoy the ride enough to endure the walk at each end. The number of student passengers recovered slightly in 2017/18, but declined again after the Metlink bus network reorganisation in July 2018.

We will continue to promote the Cable Car to students at Orientation week, but do not expect this market sector to grow.



3.3 Legislative Requirements

Legal requirements continue to evolve and become more robust. Examples of this are the Health and Safety in Employment Act, 2005, the Local Government Act, Building Act, Railways Act, Passenger Ropeways Regulations and others. We will continue to improve our infrastructure, systems and processes to meet these evolving legislative requirements.

3.4 Age and Condition of Assets

We have a range of infrastructure assets, with a broad range of age, condition and complexity. Some are relatively simple, and others are more complex and require specialist skills to inspect, test, assess and maintain. We aim to complete work in-house where this is practical, but also partner with a range of technical specialists where either specialised skills and/or tools/instruments are required.

Our oldest assets are our three tunnels. Construction of these began in 1898. The seismic performance of the tunnels has been investigated in detail over the past few years. We now have an excellent understanding of the condition and the risks. While there are no immediate safety concerns, several options to improve seismic resilience have been identified. Work is continuing to develop rough order costings of these options and complete more detailed design work. These improvements will be undertaken over time to steadily improve the seismic resilience of the tunnels.

The three steel bridges were constructed in the 1930s, to replace the original wooden bridges. In 2019/20 we responded to a recommendation to treat areas of rust on the longest bridge at Salamanca station. This work evolved into a complete repaint. The work also prompted investigation into the condition of the roller bearings and the fixing of these to the concrete piers. Approximately one third of the fixings were replaced and the roller bearings were refilled with oil. Looking forward, an annual washdown will be added to the maintenance programme and more detailed inspections will be completed on each of the bridges. We also plan to begin work to update the seismic assessment of the bridges in 2020/21.

The existing track was installed in 1979. Pre-used rail was used, with a mix of new treated pine and hardwood sleepers. The rail is generally in good condition and is expected to be serviceable for another 40-50 years. However, some short sections will need repair or replacement. Some of the sleepers need replacement. We will begin this and other track work in July 2020. Work on the track will be ongoing and will be scheduled to take place during our annual shutdowns.

The steel-framed Cars date back to 1979. They are in very good condition but are showing signs of their age. All the roof panels were replaced in 2016; however, other areas of the Car panels are showing signs of corrosion. These areas will need repair in time. The bogies (chassis under the Cars) are progressively being reconditioned by specialist engineers at ACME engineering, based on technical advice from Garaventa in Switzerland. When this work is completed, we will have a better understanding of the condition and remaining service life of all the bogies. During this process, all safety systems are tested to the appropriate standards, to ensure that they continue to meet their original performance requirements.

The motor, drive and control system were replaced in 2016 and remains compliant with current European Standards. This equipment and these systems are regularly maintained following the manufacturer's recommendations.

The intermediate stations are serviceable, but the stations at Talavera and Salamanca can be improved to meet current safety standards and visitors' expectations. We plan to replace the pedestrian over bridge at Talavera station in 2020/21. We are also working on options to replace the Salamanca station.

Newer Cable Cars have auto doors at all stations. We are investigating options to install these to further improve passenger safety.

We have recently completed a high-level seismic assessment of our Lambton Terminal and will continue to plan for more detailed assessments and improvements (where necessary) to all our infrastructure.

We are continuously investigating options to enhance the visitor experience. Options actively being considered include the upgrade of the Lambton Terminal and the replacement and upgrade of the display lights in the upper two tunnels.

Other work will also be required over time to upgrade, replace and improve retaining walls near the track, fencing and security.

4 Nature and Scope of Activities

All our activities are in support of our core purpose to operate, maintain, promote and improve the iconic Wellington Cable Car.

4.1 Assets and Maintenance

Some of the information from section 3.4 is repeated here, for clarity. Please refer to section 3.4 for more detailed information on the age and condition of current assets.

Cars

We completed more comprehensive maintenance and inspection on the Cars in 2019, following advice from the original equipment manufacturer. This work was done in partnership with Doppelmayr/Garaventa Group and local engineers from ACME Engineering. Similar work will also be completed in 2020 on the two lower bogies.

We have four bogies in use and one spare. All five bogies will be cycled through to complete more thorough inspection and maintenance than was the case before 2019. Therefore, by 2023 we will have a better understanding of the condition of the running equipment under the Cars than we have had before. This will allow us to make an evidence-based decision about the condition and the expected remaining operating life of the Cars.

Track

The track was installed in 1979, using secondhand rail supported by a mix of treated pine and hardwood sleepers. The sleepers are now over 40 years old, and the ones in exposed areas are due for replacement. This work will be prioritised and scheduled to be completed during our usual annual shutdown. However, the shutdown may need to be extended to allow for this work to be completed. In 2020 we plan to replace at least ten sleepers, near the passing loop.

Bridges

Our longest bridge over Salamanca Road was painted in 2019/20. This project started as simple maintenance tasks but evolved into a complete repaint, inspection of fixings (and replacement of some of these) and inspection and maintenance of bearings. This work was in response to annual visual inspection; however, the scope of the work was unplanned. We will washdown and inspect the other two bridges (at Rawhiti and Everton Terrace) in 2020. This will allow us to assess the condition and plan any painting and repair work that may be needed in future years.

Tunnels

We have been working with WSP (previously Opus Consulting) to assess the Seismic performance of the Cable Car tunnels. The tunnels were constructed back in 1902 and are an important heritage feature of the Cable Car. In 2020/21, we will investigate the costs of several strengthening options, complete detailed designs and tender for this work to begin in the 2021/22 year. If possible, this work will be completed during our annual mid-year shutdown.

4.2 Cable Car Passenger Service

Pricing

Our aim with pricing is to maximise profit and passenger numbers. It is always a balance to set prices that represent value for all customers, typically tourists have different expectations than local commuters. We manage this by having a range of price offerings including cash prices for tourists and multi-trip prices for commuters. We will continue to fine tune the pricing while closely monitoring the passenger numbers. We will soon also receive results from market research that will enable us to continue to make sound decisions about pricing.

Marketing & Events

We are working on ideas and events to encourage increased use outside of the cruise ship season; however, this will continue to be a challenge. We may consider promotions and community events to increase use in the off-season.

Our staff will promote the Wellington Cable Car to students during Orientation week.

Increased Reliance on Cruise Ship Passengers

Wellington Cable Car continues to benefit from the increased number of tourists and cruise ship passengers visiting Wellington. During the season we have more passengers and they typically pay higher prices. In the off-season we have fewer passengers and the pay lower (multi-trip) prices. This is a challenge for the financial results of the Cable Car.

In response to this we are looking at options to increase the use of the Cable Car by commuters, as well as events and initiatives that maximise low season usage. We are in discussions with Greater Wellington Regional Council about several options to increase use of the Cable Car by commuters. These discussions are on-going; however, any changes are expected to take time to implement.

We are also considering options to reduce the operating hours. At present the Cable Car operates until 10pm (except Sunday when it closes at 9pm). After 8pm the number of passenger are very low. We are looking at this in more detail and may considering options to reduce operating hours.

SuperGold

When the SuperGold scheme began, Wellington Cable Car received 75% of the adult passenger fare for passengers using a SuperGold card which quickly reduced to 65%. Since 2016 the funding has been capped. The current reimbursement rate (2019/20) is \$2.26 per trip capped at \$90,206 and this funding cap was reached in February 2020. Therefore, from February 2020, through to 30 June 2020, Wellington Cable Car is providing the SuperGold card subsidy, for passengers using SuperGold cards. The true reimbursement amount per trip was \$1.42 in 2018/19 (28% of the adult cash fare). The funding remains capped with an annual adjustment for CPI, but there is no adjustment to take account of the aging population and the resulting increase in the number of SuperGold card holders.



5 Performance Measurements

5.1 WCCL Passenger Services Performance Measures

Performance Indicator	How will it be measured	Target/Result
Cable Cars, track, tunnels, bridges, buildings and equipment are maintained to the required standard.	Required inspections and tests will be satisfactorily completed. Recommendations will be actioned.	Rail safety licence will be maintained.
Cable Car Service Reliability	Percentage Reliability	Greater than 99.0%
Cable Car User Satisfaction	Market research survey by independent research specialist (Angus & Associates). <ul style="list-style-type: none"> • TripAdvisor ratings • Google ranking 	Maintain Net Promoter Score equal to CXI Benchmark and ideally 5% above benchmark. Maintain a rating of 4.2 or higher.
The service level meets established tourism standards.	The annual Qualmark assessment will check the service level and compare this to tourism industry standards.	Qualmark endorsement will be maintained.
Wellington Cable Car has a robust Asset Management Plan (AMP).	The Asset Management Plan will be updated in 2020/21 and approved by the Board.	Asset Management Plan will be approved and implemented.
Cable Car Passenger Trips	Passenger trips as per the estimates below.	Passenger trip estimates achieved, or variances explained.

5.2 WCCL Passenger Trips and Revenue

Estimated Cable Car Passenger Trips and Revenue					
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
2019/20 Passenger Trips	179,669 ¹	320,508 ¹	406,680 ²	241,398 ²	1,148,255 ²
2019/20 Revenue	\$503,311 ¹	\$1,030,618 ¹	\$1,336,324 ²	\$695,185 ²	\$3,565,438 ²
2020/21 Passenger Trips	171,789	323,373	387,132	220,369	1,102,663
2020/21 Revenue	\$513,704	\$1,059,779	\$1,307,582	\$666,810	\$3,547,875
2021/22 Passenger Trips	210,498	328,960	393,878	223,847	1,157,183
2021/22 Revenue	\$616,506	\$1,078,867	\$1,331,389	\$677,992	\$3,704,754
2022/23 Passenger Trips	213,686	334,651	400,753	227,385	1,176,475
2022/23 Revenue	\$626,455	\$1,098,317	\$1,355,649	\$689,376	\$3,769,797

1. Actual current figures from current financial year.
2. Estimated figures for the remainder of the 2019/20 financial year.
3. Assumes 3-week maintenance shutdown in the 1st Qtr of 2020/21

5.3 WCCL Corporate Activities Performance Measures

Performance Indicator	Measure	Target/Result
Health and Safety is actively managed and systematically improved.	Safety improvements are identified and implemented. Health and Safety meetings are well attended. Workers report incidents and hazards.	Improved infrastructure, equipment, tools, processes and training. SafePlus self-assessment completed.

5.4 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 budget.
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 the 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 as included in the Asset Management Plan, through a combination of cash, external borrowing, and grants / external funding

6 Approach to Governance

WCCL is a Council Controlled Organisation incorporated in 1991 to manage the Wellington Cable Car and the Overhead Trolley Bus network. The company’s constitution requires that the Board has a minimum of two Directors. The Directors are currently members of the WCC executive appointed by Wellington City Council delegated to its Chief Executive.

The Board meets regularly, and formal Board meetings are held at least every quarter. Additional board meetings are scheduled as required.

The Board are responsible for guiding the strategic direction and approving the Statement of Intent. The Board monitors the organisations performance and the performance of the Chief Executive. They also monitor the policies and practices of Wellington Cable Car to ensure that they are aligned with the Council and other stakeholders’ expectations.

7 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 legislative requirements 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 Health and Safety at Work Act 2015, the Railways Act 2005, Local Government Act 2002 and other pertinent legislation:

7.1 Organisational Approach to Health and Safety

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

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).

7.2 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) Asset Management
- d) Financial and Commercial
- e) Statutory and Legislation
- f) Corporate
- g) Project
- h) Operational
- i) HR
- j) IT

In each category, the effect of a risk on the business has been considered, and the level of risk assessed, considering any controls that have been put in place. Risk mitigation actions and controls are determined such that the level of risk is As Low as Reasonably Practicable (ALARP) using the principles of eliminate, substitute, isolate or engineering controls.

WCCL has no risks that have an Extreme assessment.

The Risk Register currently contains two risks that have a high-risk rating.

WCCL regularly reviews and updates it’s WCCL Risk Register, and the latest version containing all the high risks is included in Appendix One.

8. Additional Information

8.1 Ratio of Shareholders Funds to Total Assets

Definition of Terms

Shareholders’ funds: Represents the net equity the shareholder has contributed to the Company since its incorporation. This amount includes issued share capital, revaluation reserves, and retained earnings. For completeness, this amount would also include any balances in the shareholder current account that exist, noting that this 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 2019, the shareholders’ funds equated to \$10.875m.

Total Assets: Represent the total assets, both intangible and tangible of the Company, disclosed in accordance with applicable financial reporting standards. As at 30 June 2019, the Total Assets of the Company equated to \$12.878m.

Ratio of Shareholders Funds to Total Assets as at 30 June 2019 – 84%

8.2 Estimate of Amount Intended for Distribution

The Board and Management of the Company are continuously investigating additional revenue-earning streams and enhance existing revenue sources through marketing activities; the result of these activities may require initial capital investment to provide increased revenue (and therefore dividend) streams in future years subject to any agreement reached in relation to the future funding of the Cable Car asset management plan. The Company also undertakes a full review of future fare increases at least annually. Cable Car passenger numbers and revenue have continued to increase over recent years due to continued marketing initiatives put in place by the Company but also as a result of a vibrant and growing Wellington economy, including increased cruise ship passenger numbers. The Directors anticipate revenue will continue to increase in the coming years given fare changes, increased tourists and continued enhancement of the Cable Car assets and service offerings.

The Company has a continued aim to be financially self-sufficient. To achieve this while also meeting planned maintenance (both routine and reactive) and the capital investment programme in respect of the Cable Car, the Company will not declare any dividends in respect of the 2020/21 year and the subsequent two financial years.

8.3 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 partnerships or to sell any buildings or other significant assets before binding commitments are entered into.

8.4 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 2019, is \$10.875m.

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

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

Nil

8.6 Supplementary information the entity wishes to include - Insurance Programme

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

1. Cable Car Assets

The majority of assets related to the cable car service are covered by a policy with Lloyds of London, with the remaining assets secured by New Zealand insurance providers.

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. Insurance Programme Policy

After the Canterbury earthquakes, the New Zealand insurance market changed. It was not possible to continue to get full replacement cover from our insurer, or from any other NZ-based insurer. The placement was made with Lloyds through an introduction by WCC on the best terms that could be achieved, but not for full replacement. WCCL has continued this approach in the subsequent years based on advice from its insurance broker AON and does not expect this to change in the period relating to this statement of intent.

At the time of writing, WCCL has not completed its insurance renewal in respect of the 2020/21 year, however, does not expect a material change in the policies put in place. It is expected that insurance premiums will increase over those payable in respect of the 2019/20 year but the Company will work with AON to mitigate these as much as possible.

Motor Vehicles are insured with an NZ-based insurer (AON).

Liability covers are insured with an NZ-based insurer (AON).



Appendix 1: WCCL Risk Register (High Risks)

Wellington Cable Car Risk Register as at 27 February 2020 (Highs Only)

Risk ID	Hazard Title	Risk Items	Risk Causes	Risk Effects	Risk Controls	Pre Controls Probability	Pre Controls Impact	Pre Controls Risk Rating	Probability	Impact	Risk Rating	Categories	Owners
10	Medical Event	1 - Injury to employee/contractor or general public	1 - Illness or injury not directly related to the Cable Car	1 - Minor ailments requiring first aid treatment	1 - First aid kits held in cars, Driver's room, Control, Winding rooms, Garage. Portable kit in the Control Room for when working on the Track. Checked monthly .	Possible	Major	High	Possible	Moderate	High	Health & Safety	Matthew Hardy
		2 - Unknown health condition	2 - Accident e.g. caused by falling, electrocution, power tool	2 - Serious injury or ailment requiring first aid, ambulance call-out or hospitalisation	2 - Defibrillator in each car and ticket kiosk.								Matthew Hardy
				3 - Feeling unwell but not requiring first aid	3 - All employees to be First Aid trained.								
					4 - Contact numbers of emergency services and local medical assistance posted on the safety notice board in Drivers' Room and Ticket Booth.								
					5 - A radio system operates between the two cars, Ticket Booth, Control Room, and Winding Room.								
0015	Damage to Cable Car by general public (anytime including after hours)	1 - Disruption to Cable Car services	1 - Unauthorised entry to Cable Car premises by public. Likely to be elevated at certain times of the year due to seasonal and large events.	1 - Vandalism/damage to Cable Car property	1 - Cars locked at night	Almost Certain	Major	Extreme	Possible	Moderate	High	Plant and Equipment	Andrew Cresswell
		2 - Damage to property		2 - Disruption to Cable Car services	2 - Monitored camera surveillance and alarms inside both Kelburn and Lambton Terminals								Stephen Ward
		3 - Injuries to public		3 - Injuries to general public	3 - Both Kelburn and Lambton Terminals locked at night.								
					4 - Driver's pre-test run inspection conducted.								
					5 - Sprinkler system at Kelburn to deter trespassers. Fence installed at Kelburn (below the Control Room).								
					6 - Trespass signage at Salamanca								
					7 - Staff have right to refuse entry on cars and lower station.								
					8 - Drivers have radio communications to each other.								
					9 - First Security guards on site during events which may attract anti-social behaviour.								
					10 - Scenario training on how to manage challenging situations provided to staff every two years.								
					11 - There is a security camera in each cable car.								

Appendix 2: Accounting Policies

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of Wellington Cable Car Limited. 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 Organisation (CCO) as defined by Section 6 of the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of the Wellington Cable Car Limited is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Wellington Cable Car Limited has designated itself as a public benefit entity for Financial Reporting Purposes.

The financial statements are for the year ended 30 June 2019 and were approved by the Board of Directors on 30 September 2019.

Basis of Preparation

These financial statements have been prepared on the basis that the company is a going concern and has the continuing support of its shareholders. Based on the continuing financial support of its shareholders, the company would satisfy the solvency requirements of the Companies Act 1993.

Statement of Compliance

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

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The company is eligible to report as a Tier 2 reporting entity with reduced disclosures on the basis that it does not have public accountability and is not large.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and they comply with PBE accounting standards.

Other accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The financial statements of Wellington Cable Car Limited have been prepared on an historical cost basis, except where modified by the revaluation of trolley bus overhead lines.

The information is presented in New Zealand dollars. Rounding of amounts is to the nearest dollar.

Changes in Accounting Policies

There have been no changes in accounting policies during the current financial year.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Specific Accounting Policies

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

(a) Judgements and Estimations

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue 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 and highlighted below:

(b) 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.

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

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 PBE IPSAS 17, borrowing costs are capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset.

Trolley Bus Overhead and Poles

The Traction network is valued at cost less accumulated depreciation in accordance with PBE IPSAS 17, and annually reviewed for impairment to ensure its carrying value is accurately reflected.

Cable Car Assets

The Cable Car assets comprising the Cable Car Tracks & Wires and Cable Car Equipment are valued at cost less accumulated depreciation in accordance with PBE IPSAS 17, and annually reviewed for impairment to ensure its carrying value is accurately reflected.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment in accordance with PBE IPSAS 21 and PBE IPSAS 26. 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 Revenue and Expense.

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 Revenue and Expense in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to Accumulated Comprehensive Revenue and Expense.

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	2.5%-20%

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 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.

Restatement of Figures

Where appropriate, prior year figures have been restated for comparability with current year's figures.

(c) Foreign Currencies

Transactions in foreign currencies that are settled in the accounting period are translated into NZD (the functional currency) using the spot exchange rates at the dates of the transaction. 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 Revenue and Expense.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) 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 Revenue and Expense 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 Revenue and Expense 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 Revenue and Expense.

(e) 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.

(f) Income Tax

Income tax expense is charged in the Statement of Comprehensive Revenue and Expense in respect of the current year's results. Income tax on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable revenue 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 surplus will be available against which the temporary differences can be utilised.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Wellington Cable Car Limited's inventory comprises of items held in respect of maintaining and operating the Cable Car (in prior years this also included the maintaining and operating the Overhead Trolley Bus network). In accordance with PBE IPSAS 12, all inventory has been valued at the lower of cost using the weighted average cost formula or net realisable value.

(h) Leases

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 Revenue and Expense in the period in which they are incurred. Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease payment.

(i) Statement of Cash Flow

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

Operating activities include cash received from all revenue 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.

(j) 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.

(k) Financial Instruments

Wellington Cable Car Limited 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.

Trade and other receivables

Trade and other receivables are recorded at their fair value, less any provision for impairment. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using effective interest method. Receivables with a short duration are not discounted.

Cash and cash equivalents

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 fair value.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Short Term Investments

Short term investments comprise an ANZ term deposit that is invested for a period of less than 12 months. This is recorded at its fair value.

Trade and other payables

Short term payables are recorded at face value.

(l) Revenue

Wellington Cable Car Limited derives revenue from the cable car passenger service with fares being the sole source of income along with a minor amount of income from merchandise sales.

Additional revenue was received from Greater Wellington Regional Council in relation to the decommissioning of the Overhead Network and cessation of the Trolley Bus division of the Company. There are also pole occupancy licences in place in relation to third parties with equipment attached to the Traction Network, however this ceased in November 2018 when the pole network was transferred to Wellington City Council.

Revenue is recognised when billed or earned on an accrual basis. The non-exchange revenue consists of the funding for the operation and decommissioning of the Trolley Bus Network which is received from Greater Wellington Regional Council.

(m) Grants

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

Grants are recognised as revenue when received, unless conditions apply. Any grants for which conditions apply under the grant agreement are carried as liabilities until all the conditions have been fulfilled.

(n) Expenses

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

(o) Employee Benefit liabilities

Provisions for employee benefits, being holiday leave and other employee entitlements are 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 3: Forecast Financial Statements

Wellington Cable Car Limited - Business Plan

Statement of Comprehensive Income for the years ending 30 June 2021, 2022 and 2023

	2020 Forecast	2021 - Qtr 1 \$000	2021 - Qtr 2 \$000	2021 - Qtr 3 \$000	2021 - Qtr 4 \$000	2021 - Total \$000	2022 \$000	2023 \$000
Cable Car Income	3,544	514	1,060	1,308	667	3,548	3,705	3,770
Cable Car Operations	1,209	308	314	315	304	1,240	1,273	1,307
Cable Car Maintenance	1,085	628	250	221	221	1,320	1,349	1,419
Depreciation	297	75	75	75	75	300	310	295
Cable Car Expenses Subtotal	2,591	1,010	639	611	600	2,860	2,932	3,021
Cable Car Operating Surplus/ (Loss)	953	(497)	421	696	66	687	773	749
EXTERNAL ACTIVITIES								
Sundry External Income	99	27	27	27	27	108	111	115
External Activities Operating Surplus / (Loss)	99	27	27	27	27	108	111	115
Administration Expenses	733	194	194	194	194	778	795	813
External Activities Division Surplus/ (Loss)	319	(664)	254	529	(101)	18	89	51
WELLINGTON CABLE CAR - TOTAL SURPLUS/ (LOSS) BEFORE TAX	319	(664)	254	529	(101)	18	89	51
Income Tax Expense	102	(184)	73	150	(27)	12	32	22
WELLINGTON CABLE CAR - TOTAL SURPLUS/ (LOSS) AFTER TAX	217	(480)	181	379	(74)	6	57	28
The Total Surplus / (Loss) After Tax Consists of:								
Total Income	3,643	541	1,087	1,335	694	3,656	3,816	3,884
Total Expenditure	(3,427)	(1,020)	(906)	(955)	(768)	(3,650)	(3,759)	(3,856)
	217	(480)	181	379	(74)	6	57	28

Wellington Cable Car Limited - Business Plan

Statement of Movements in Equity for the years ending 30 June 2021, 2022 and 2023

Notes	Forecast 2020 \$000	2021 \$000	2022 \$000	2023 \$000
Opening Equity - 1 July	10,809	11,026	11,032	11,089
Net Surplus/(loss) for the period	217	6	57	28
Total Recognised Revenues and Expenses	217	6	57	28
Distribution to Owners	-	-	-	-
Closing Balance 30 June	11,026	11,032	11,089	11,117

Represented by:

		2020 \$000	2021 \$000	2022 \$000	2023 \$000
CURRENT ASSETS					
Bank	1	4,346	4,226	3,914	3,876
Inventory		-	-	-	-
Accounts Receivable		150	150	150	150
		4,496	4,376	4,064	4,026
FIXED ASSETS	2	7,552	7,587	7,977	8,033
TOTAL ASSETS		12,048	11,963	12,041	12,058
CURRENT LIABILITIES					
Accounts Payable/Accruals		272	182	202	191
Current Portion of Term Loan		-	-	-	-
		272	182	202	191

Wellington Cable Car Limited - Business Plan

Statement of Financial Position for the years ending 30 June 2021, 2022 and 2023

Notes					
NON CURRENT LIABILITIES					
ANZ Bank Loan		-	-	-	-
Deferred Tax Liability		750	750	750	750
Employee Retirement Gratuity		-	-	-	-
		750	750	750	750
NET ASSETS		11,026	11,032	11,089	11,117
SHAREHOLDERS' FUNDS					
Represented by:					
Authorised Capital					
Ordinary Shares at \$1 fully paid		7,435	7,435	7,435	7,435
Retained Earnings		3,591	3,597	3,654	3,682
		11,026	11,032	11,089	11,117

Notes and Assumptions:

- 1 Bank balance has been taken as the balancing figure and includes any short term deposits and the Cable Car self insurance fund.
- 2 The 2020 balance sheet is the forecast position as at the time of completing this Statement of Intent.
- 3 No distribution to owners based on the Company accumulating funds for further capital replacements required however will be assessed on an annual basis.

Wellington Cable Car Limited

Statement of Cash Flows

For the Years Ended 30 June 2021, 2022, 2023

	Year Ended 30 June 2020 - Forecast	Year Ended 30 June 2021	Year Ended 30 June 2022	Year Ended 30 June 2023
Cash flows from operating activities				
Cash was received from:				
Operating receipts	3,643	3,606	3,766	3,834
Interest received	50	50	50	50
Cash was disbursed to:				
Payments to suppliers and employees	(2,956)	(3,429)	(3,397)	(3,550)
Net cash inflow / (outflow) from operating activities	737	227	419	334
Cash flows from investing activities				
Cash was received from:				
Investments	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Cash was applied to:				
Purchase of fixed assets	(199)	(335)	(700)	(350)
Net cash inflow / (outflow) from investing activities	(199)	(335)	(700)	(350)
Cash flows from financing activities				
Cash was received from:				
Term Loan	-	-	-	-
Cash was applied to:				
Payment of Dividend	-	-	-	-
Term Loan	-	-	-	-
Payment of Tax	(102)	(12)	(32)	(22)
Subvention Payment	-	-	-	-
Net cash inflow/(outflow) from financing activities	(102)	(12)	(32)	(22)
Net Increase/(decrease) in Cash held	435	(120)	(313)	(38)
Opening Cash Balance	3,911	4,346	4,226	3,914
Closing Cash Balance	4,346	4,226	3,914	3,876
Closing cash balance per GL	4,346	4,226	3,914	3,876



2020/21



