

DUNEDIN RAILWAYS LIMITED

STATEMENT OF INTENT

For the Year Ending 30 June 2019



TABLE OF CONTENT

1	Introduction	3
2	Purpose of Statement of Intent	3
3	Objectives.....	3
4	Purpose for which the Company Established.....	3
5	Nature and Scope of Activities to be Undertaken.....	4
6	Corporate Governance	4
7	Performance Targets and Other Measures.....	5
8	Financial Forecasts	9
9	Accounting Policies	10
10	Information to be provided to the Shareholders in the Financial Reports	10
11	Dividend Policy	10
12	Acquisition/Divestment of Shares or Assets in any Company or Organisation	11
13	Compensation Sought	11
14	Commercial Value of Shareholders' investment	11
15	Other matters as agreed by the Shareholders and the Board	11
16	Transactions with Related Parties	12
17	Working with the Shareholders	12
18	Group Facility Use	12
	Appendix 1: Dunedin City Council Vision: Dunedin is one of the World's Great Small Cities	13
	Appendix 2: Strategic Framework	14

1 INTRODUCTION

A Council-controlled trading organisation (CCTO) is an organisation in which the council controls 50 per cent or more of the voting rights or has the right to appoint 50 per cent (or more) of the directors or trustees.

A CCTO operates a trading undertaking for the purposes of making a profit. It is required by law to produce a Statement of Intent (SI). A SOI is an annual planning document.

Dunedin Railways is a CCTO.

2 PURPOSE OF STATEMENT OF INTENT

The SOI demonstrates the accountability to shareholders and the public by outlining the activities and intentions for the next three financial years. It provides an opportunity for the shareholders to influence the CCTO's direction by commenting on the draft version of the SOI. The SOI provides the basis for the accountability of the directors to their shareholder for the performance of the organisation.

The CCTO is required by law to report in its annual report on its performance targets set in the SOI.

3 OBJECTIVES

As defined in Section 59 of the Local Government Act (LGA), the principal objectives of a council-controlled organisation are to:

- a) "Achieve the objective of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and
- b) Be a good employer as per clause 36 of Schedule 7 LGA);and
- c) Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or insist upon these when able to do so; and
- d) If the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice."

4 PURPOSE FOR WHICH THE COMPANY ESTABLISHED

The Company has been established with the primary purpose of providing a commercial and community return to its Shareholders, Dunedin City Holdings and the Otago Excursion Train Trust.

The creation of the organisation during the 1980's, prior to the organisation becoming a Company in 1995, was undertaken solely by the Otago Excursion Train Trust with the purpose of providing tourist and community trains for the resident and visitors to Otago. The entity existed as the Otago Excursion Train Trust until 1995 when capitalisation and restructuring formed Taieri Gorge Railway Limited. The company was renamed Dunedin Railways Limited on 1 December 2017.

The Company recognises that it has social and environmental responsibilities to take account of in meeting its long-term commercial objectives.

5 NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN

The principal activity of Dunedin Railways Limited (the Company) is to operate train services as a tourist, charter and community oriented enterprise utilising the Taieri Gorge railway line and the Main South Line of the New Zealand Railways Corporation national network.

As well as the provision of train services on those lines, the company operates a retail and booking office at the Dunedin Railway Station.

Company Vision

To provide world class train trips

Company Mission Statement

To safely and viably provide high quality visitor experiences developed from our core products of tourist and charter train services. To diversify and grow our business by seeking new visitor experience and rail opportunities

6 CORPORATE GOVERNANCE

- a) Local Government Act 2002, Role of Directors

As defined in Section 58 of the LGA:

"The role of a director of a council-controlled organisation is to assist the organisation to meet its objectives and any other requirements in its statement of intent.

.
This section does not limit or affect the other duties that a director of a council-controlled organisation has.

- b) In addition to the obligations of the LGA, the company is also subject to the requirements of The Companies Act 1993.
- c) And all other applicable legislative requirements that apply."

The Company has two shareholders:

1. Dunedin City Holdings Limited, 72.03% ownership
2. Otago Excursion Train Trust, 27.97% ownership

7 PERFORMANCE TARGETS AND OTHER MEASURES

SAFETY, COMPLIANCE AND OUR ENVIRONMENT		
Goals	Actions	Performance Measures
To Make safety our first priority and provide a safe environment.	Maximise safety for all staff, passengers and visitors by holding a minimum of three Board/Management Risk committee meetings and nine Staff H&S committee meetings per year.	Three Risk committee meetings and nine Staff H&S committee meetings held per year.
	Review/audit the Safety System and Risk Register each year.	Conduct an internal annual audit of the Safety System and Risk Register.
	Report on Health and safety management and provide statistical data in the monthly board reports.	Monthly board reports contain a Health and Safety Report.
Ensure the Company meets all of its safety, security and environmental obligations.	To facilitate NZTA's annual safety audit.	Passing the NZTA annual audit and maintain the Rail Service Licence.
Reduce accidents for staff, contractors and customers	Reduce lost time accident rates	Target zero lost time injuries.
FINANCIAL		
Goals	Actions	Performance Measures
Grow company revenues from the trading activities.	Achieve financial performance that represents an acceptable rate of return on investment	Revenue increasing year on year and at least a break even result is returned.
BUSINESS AND DEVELOPMENT		
Goals	Actions	Performance Measures
Maintain passenger numbers	Market and sell the train trips using best practice and appropriate tools	Invest in a minimum of two promotional campaigns a year with industry partners. Carry at least 80,000 passengers per annum.
Develop and implement strategies and initiatives to maximise resource use.	Initiatives to maximise the productivity of human resources and capital are employed while taking into account potential opportunities and strategic considerations	Two new initiatives are implemented to improve business performance.
CUSTOMER SERVICE		
Goals	Actions	Performance Measures

Statement of Intent 2018/19

Provide outstanding customer service to our valued customers	Provide consistent and quality service that exceeds the expectations.	Maintain at least an 85% Trip Advisor customer satisfaction rating and 4.5/5 in overall satisfaction on our in-house customer survey.
INFRASTRUCTURE		
Goals	Actions	Performance Measures
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Infrastructure maintenance is carried out with a minimum amount of disruption to out affecting train trip operations.	No recorded significant delays to regular scheduled train trips. Maintain an Asset Management Plan.
SHAREHOLDERS		
Goals	Actions	Performance Measures
Engage with shareholders annually on opportunities for the company to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan)	Consult with shareholders on matters to be included in the company's Statement of Intent.	The Board and/or Management of the company to have engaged with Shareholders in the last year.
Bring to the attention of the shareholder any strategic or operational matters where there may be conflict between the Council's community outcomes and those of the company and seek the shareholder's view on these.	Consult with shareholders at the earliest possible time on matters where conflict may or could result.	All relevant matters that have been escalated to shareholders.
Keep the shareholders informed of all substantive matters.	On a 'no surprises' basis advise shareholders promptly of any substantive matter that has the potential to impact negatively on shareholders and the company with a particular focus on the media.	All substantive matters to be reported to shareholders within 24 hours.

DCC STRATEGIC FRAMEWORK ACCOUNTABILITIES		
SOCIAL AND WELLBEING		
Goals	Objectives	Performance Measures
Making people feel connected and involved in Dunedin City's community and city affairs	Provide opportunities for the Otago Excursion Trust members to engage with the railway.	Volunteers provide customer service on-board cruise ship trains.
Be recognised as a positive contributor to our community.	Provide sponsorship to community events and organisations.	Record the number of train tickets given to community organisations/events.
	Facilitate community access to the Taieri Gorge.	Maintain relationships with organisations that run train trips for charity events holding at least three per annum.
		Help the DCC facilitate the use of the iconic Dunedin Railway Station for community activities.
ECONOMIC DEVELOPMENT STRATEGY		
Goals	Objectives	Performance Measures
Growing the value of "export income" to the City.	Maintain and enhance the Company's reputation as being one of the preferred tourist attraction activities in Dunedin to both the domestic and international markets.	Grow the numbers of non-Dunedin resident passengers.
Establishing strategic projects with other cities/companies.	Support Enterprise Dunedin in marketing through the IMA (International Marketing alliance with Southland, Clutha and Waitaki).	Take part in at least one Enterprise Dunedin Initiative with IMA involvement per annum.
Marketing Dunedin	Support Enterprise Dunedin in Marketing the city.	Take part in at least two Enterprise Dunedin Marketing activities.
	Keep engaged with City organisations focused on marketing or promoting the city.	Maintain active memberships of Dunedin Host and The Otago Chamber of Commerce.
ENVIRONMENT STRATEGY		
Goals	Objectives	Performance Measures
To Monitor and reduce environmental impacts on a per passenger basis	Reduce the environmental effects of operating the train trips.	Initiate at least two new environmental initiatives per annum.

Statement of Intent 2018/19

ARTS AND CULTURE STRATEGY		
Goals	Objectives	Performance Measures
Building unity and Community pride by celebrating the city's character, diversity and individuality through arts and culture.	Help ensure ID Fashion is promoted as a truly culturally rich Dunedin event.	Work with ID Fashion committee to enable their annual event to take place at the Dunedin Railway Station should they decide to hold this again.
	Continue to encourage the iconic Dunedin Railway Station as a place for artistic expression.	Maintain the use of costumed Dunedin Railway Station Ambassadors to welcome cruise ship visitors.
SPACIAL PLAN		
Goals	Objectives	Performance Measures
Celebrating heritage; actively re-using built heritage.	To enhance the heritage experience by continuing to preserve the heritage aspects of the line and to recognise the heritage nature of rolling stock, structures in the Taieri Gorge and at Middlemarch.	Ensure that the Company does not disturb the heritage nature aspects of the Taieri Gorge railway line.
Reducing dependence on non-renewable resources.	Reduce dependence on use of hydrocarbon-based diesel and petrol.	When practical investigate and implement actions to reduce the dependence on diesel (to electricity or other sources of power).
An urban form that supports accessibility from a range of modes and sustainable transport choices.	Running trains with accessible carriages to local destinations.	Retention of an accessible carriage and access ramps.
PARKS AND RECREATION STRATEGY		
Goals	Objectives	Performance Measures
Accessible recreational facilities.	Making recreational open spaces and facilities open to all.	Dunedin Railway Station platform access and access to the Railway Station precinct at Middlemarch is maintained.
INTEGRATED TRANSPORT STRATEGY		
Goals	Objectives	Performance Measures
Connectivity of centres	Maintaining or Improving connection within and between other centres	Continuation of tourist link to the start/finish of the Otago Central Rail Trail and other centres.

8 FINANCIAL FORECASTS

a. The ratio of Shareholders' Funds to Total Assets and the definition of those terms.

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/21
Shareholders' Funds to Total Assets	51%	54.0%	58%

The Company has adopted a target Shareholder Funds to Total Assets ratio (equity ratio) of 50%, but expects this ratio will fluctuate depending on a variety of circumstances including asset renewal and investment cycles. During periods of higher capital expenditure, the equity ratio will likely be lower and, at other times, may exceed the current target.

Shareholders' Funds - are represented by the paid up capital, reserves created by the revaluation of specific assets, and retained earnings.

Total Assets – means the aggregate amount of all current and non-current assets.

b. Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders.

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/21
Dividend/Subvention Distributions	0	0	0

c. Other Financial Forecasts

	Year ending 30/06/2019 \$,000	Year ending 30/06/2020 \$,000	Year ending 30/06/21 \$,000
EBITDA	617	658	684
Net Profit after Tax	168	190	197
Cash Flow from operations	514	545	567
Capital Expenditure	482	562	443
Term Loans	800	600	400

The projections provided have been prepared using the most recent Company Budget information and incorporate a number of assumptions about the future metrics of key business profitability drivers. In deriving these projections advice and judgement has been applied to predict the future state of the commercial market environment in which the Company operates.

9 ACCOUNTING POLICIES

a) General Accounting Policies

The accounting policies recognised by the External Reporting Board (XRB) for the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

b) Particular Accounting Policies

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in the Company's annual report.

10 INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS IN THE FINANCIAL REPORTS

	Monthly	Quarterly	Half Yearly	Annual
Statement of Financial Performance	X	X	X	X
Statement of Financial Position	X	X	X	X
Statement of Cash Flows	X	X	X	X
Statement of Service Performance against SOI targets		X	X	X
Statement of Movement in Equity			X	X
Notes to the Financial Statements			X	X
Directors' Report			X	X
Auditors Report				X
Statement of Intent (Draft)				Prior to 1 st December
Statement of Intent (Final)				Prior to 30 th June

11 DIVIDEND POLICY

The Company wishes to maintain an optimal capital structure and will every three years review that structure to determine whether additional capital can be released and whether changes need to be made to the dividend policy.

It is unlikely that any dividends will be declared in the near future as a result of the need for retention of sufficient profits for reinvestment in track, plant and infrastructure.

The company provides an incalculable dividend to the city and region by its added value to the city and region as a result of the:

- Drawcard nature of the company for general tourism and cruise ship visits
- Ability to give the city recognition and to enhance the name of the city
- Community and marketing activities on behalf of the city

12 ACQUISITION/DIVESTMENT OF SHARES OR ASSETS IN ANY COMPANY OR ORGANISATION

The Company will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to the Company. In order to maximise benefit to the Shareholders, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that the Company or its subsidiaries should acquire assets, they will obtain prior approval of the Shareholders where an investment into the new assets exceeds \$0.5 million.

If the Directors intend that the Company or its subsidiaries should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) exceeding a total investment of \$0.5m they will obtain prior approval of the Shareholders.

The approval of the Shareholders is required before disposal by the Company of any segment of its business or shares in a subsidiary or associate company where the value of the asset to be disposed of exceeds the investment delegated authority of \$0.5 million.

13 COMPENSATION SOUGHT

At the request of the majority Shareholder, the Company may undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities. At present, the Company does not have any activities in respect of which its Board wishes to seek compensation from any local authority.

14 COMMERCIAL VALUE OF SHAREHOLDERS' INVESTMENT

The commercial value of the Shareholders' investment in the Company is considered by the Directors to be not less than the Shareholders' funds as disclosed in the Statement of Financial Position published in the last Annual Report.

15 OTHER MATTERS AS AGREED BY THE SHAREHOLDERS AND THE BOARD

- a) The undertaking by the Company of any activity of a nature or scope not provided for in the Company's mission or goals would be subject to the prior approval of the Shareholders.
- b) The approval of the Shareholders is also required before the Company could dispose of any segment of its business or shares in a subsidiary or associated company where the value of the asset to be disposed of exceeds the investment delegated authority set out in Section 12 above.

16 TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder of Dunedin City Holdings Limited.

Dunedin City Holdings Limited is the sole Shareholder in Aurora Energy Limited, City Forests Limited, Delta Utility Service Limited, Dunedin City Treasury Limited, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 72.03% of Dunedin Railways Limited and 50% of Dunedin Airport Limited.

Transactions between the Companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

Related Party Transactions

Dunedin City Council	Council rates for properties owned by the Company
	Lease of Council owned land
Dunedin City Treasury Limited	Provision of debt funding to the Company generating interest payments to DCTL
Dunedin City Holdings Limited	Functions appropriate between Parent company and subsidiary
Otago Excursion Train Trust	Charter trains/volunteer staff services/Director consultancy services

17 WORKING WITH THE SHAREHOLDERS

The company will undertake to keep the shareholders informed of all substantive matters, as set out in the performance targets above. The Company will work to build a culture of accountability and constructive working practices between the shareholders and the Company. It is expected that any conflicts that may arise between the shareholders and the Company will be resolved directly between the shareholders and the Company, acknowledging appropriate governance practices.

18 GROUP FACILITY USE

The Company will undertake to operate "group" purchasing of goods and services unless it is demonstrated conclusively to the Shareholders that the total combined cost to the Group and Dunedin City Council of such Group purchasing is greater than the total combined cost to the Group and Dunedin City Council of ceasing to purchase such goods and services as a Group including the cost to the Group and Dunedin City Council of ceasing any such group purchasing.

APPENDIX 1: DUNEDIN CITY COUNCIL VISION: DUNEDIN IS ONE OF THE WORLD'S GREAT SMALL CITIES

The vision of the Dunedin City Council Long Term Plan is to make Dunedin an attractive place to work, live, study and visit.

This is achieved by the following Strategic Framework.



APPENDIX 2: STRATEGIC FRAMEWORK

Strategy	Priority	Explanation
Social Wellbeing Strategy (2013)	Connected people	Making people feel connected and involved in community and city affairs.
	Vibrant and cohesive communities	Building better communities both at a local/geographic level and communities of interest.
	Healthy and safe people	Promoting good health and ensuring people feel safe, and are safe.
	Standard of living	Promoting a good work/ life balance and full employment.
Economic Development Strategy (2012)	Affordable and healthy homes	People are living in warm and healthy homes and affordable housing options are available to all.
	Business vitality	Improving the ease of doing business. Growing the value of exports.
	Alliances for innovation	Improving linkages between industry and research. Increasing scale in innovative and tradable sectors.
	A hub for skills and talent	Increasing the retention of graduates. Building the skills base. Growing migrant numbers.
Te Ao Tūroa - Environment Strategy (early draft themes)	Linkages beyond our borders	Increasing international investment. Establishing strategic projects with other cities.
	A compelling destination	Marketing Dunedin and exporting education uplift.
	Connecting people with the environment	Dunedin's community enjoys and is connected with the natural environment.
	Guardianship of the environment	Dunedin's community actively works together to understand, enhance and celebrate the values of the natural environment.
Ara Toi – Arts & Culture Strategy	Protecting and enhancing the environment	Dunedin protects, restores and enhances its natural heritage, biodiversity, landscapes and ecosystems.
	Responding to environmental changes	Dunedin limits its impact on, and adapts to, environmental changes, including climate change.
	Sustainable resource use	Dunedin reduces reliance on non-renewable resources, minimises waste and uses water responsibly
	Identity Pride	Dunedin reduces reliance on non-renewable resources, minimises waste and uses water responsibly
Spatial Plan (2012)	Access and inclusion	Building unity and community pride by celebrating the city's character, diversity and individuality through arts and culture.
	Creative economy	Enabling self-expression and sharing of ideas to connect diverse people.
	Inspired connections	Capitalising on the economic growth of the arts and culture sector.
		Utilising existing networks and fostering new connections to facilitate creativity.
Parks & Recreation Strategy (early draft themes)	A liveable city	A healthy and safe environment; quality air and water; a connected community; recreation, leisure & learning, opportunities; healthcare, and warm housing.
	An environmentally sustainable and resilient city	Resilient ecosystems and communities; actively responding to climate change; reducing dependence on non-renewable resources; seismic-strengthened heritage buildings.
	A memorable and distinctive city	Protecting significant landscapes; quality architecture and urban design; memorable and engaging public art; celebrating Tangata Whenua and European heritage; actively re-using built heritage.
	A city that enables a prosperous and diverse economy	Maintaining and growing our rural economy, industrial base and world class communications; attracting and retaining internationally-focused people; supporting and benefiting from the tertiary education sector.
Integrated Transport Strategy (2013)	An accessible and connected city	An urban form that supports accessibility from a range of modes and sustainable transport choices; a safe and efficient road network; affordable and convenient public transport; it is safe and pleasant to walk and cycle.
	A vibrant and exciting city	A successful arts and culture scene, vibrant central city and local centres.
	Well-connected open spaces	Managing green and open spaces to provide for social interaction and physical health and wellbeing.
	Accessible recreational facilities	Making recreational open spaces and facilities accessible to all.
Three Waters Strategy (2010)	Collaborate to provide and protect	Working collaboratively to improve recreation and environmental outcomes.
	Safety	Prioritising safety improvements according to risk.
	Travel choices	Prioritising investment and space to improve the provision of active modes and public transport.
	Connectivity of centres	Improving connections within and between centres and the central city for public transport and active modes.
	Freight	Efficiently and effectively moving freight.
	Resilient network	Integrating land use and transport to reduce demand for vehicle travel and increasing the resilience of the transport network.
	Meeting water needs	Meeting the safe and quality water needs of the city for the next 50 years from existing water sources.
	Adaptable supply	Being able to adapt our water supply to a variety of future climate change and population scenarios.
	Environmental protection	Improving the quality of our discharges to minimise the impact on the environment.
	Maintaining service levels	Ensuring that, as a minimum, key service levels are maintained into the future.
	Kaitiakitaka	Adopting an integrated approach to management of the three waters and embrace the concept of kaitiakitaka.