

TAIERI GORGE RAILWAY LIMITED

STATEMENT OF INTENT

For the Year Ending 30 June 2018



TABLE OF CONTENT

Table of Content	2
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.....	10
9 Accounting Policies.....	11
10 Information to be provided to the Shareholders in the Financial Reports	11
11 Dividend Policy	11
12 Acquisition/Divestment of Shares or Assets in any Company or Organisation	12
13 Compensation Sought	12
14 Commercial Value of Shareholders' investment	12
15 Other matters as agreed by the Shareholders and the Board.....	12
16 Transactions with Related Parties	13
17 Group Facility Use.....	13
Appendix 1: Dunedin City Council Vision: Dunedin is one of the World's Great Small Cities	14
Appendix 2: Strategic Framework.....	15

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.

Taieri Gorge Railway 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 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 Taieri Gorge Railway 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 outstanding visitor experiences with a focus on railways

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

Goals	Objectives	Performance Measures
SAFETY AND COMPLIANCE		
To make safety our first priority and provide a safe environment.	<p>Maximise safety for all staff and visitors by holding a minimum of 3 Board Health and Safety Committee and 9 Staff Health and Safety Committee meetings per year.</p> <p>Review/audit the Safety System and Risk Register within the company each year.</p> <p>Report on health and safety management and provide statistical data in the monthly board reports.</p>	<p>Number of Health and Safety Committee meetings held per year.</p> <p>Safety System and Risk Register has been reviewed/audited.</p> <p>Monthly board reports contain a Health and Safety report.</p>
Ensure the Company meets all of its safety, security and environmental obligations.	To undertake an annual safety audit as required by NZTA.	To pass the safety audit and be issued with a Rail Service Licence.
Reduce accidents for staff, contractors and customers.	Reduce lost time accident rates.	A minimal accident record not exceeding four work related lost time injuries per 100,000 hours worked.
FINANCIAL		
Grow company revenues from the trading activities.	Achieve financial performance that represents an acceptable rate of return on investment for its shareholders.	Revenue increase and a financial result which is at least break even.
MARKETING AND BUSINESS		
Increase passenger numbers using train services.	To provide consistent and quality service that exceeds the expectations of customers.	Invest in a minimum of 2 promotional campaigns a year with industry partners.
Develop strategies and initiatives to maximise resource use.	Initiatives to maximise the productivity of human resources and capital employed while taking into account potential opportunities and strategic considerations.	<p>Carry at least 80 000 passengers on no fewer than 700 trips per annum.</p> <p>Number of new initiatives implemented to improve business performance.</p>

Statement of Intent 2017/18

Goals	Objectives	Performance Measures
CUSTOMER SERVICE		
Provide outstanding customer service to our valued customers.	To provide consistent and quality service that exceeds the expectations of customers.	Monitor Trip Advisor to ensure customer satisfaction levels of 85% or better.
	Provide high standards of service to our customers and recognise the role the railway plays in connecting our customers to the Dunedin experience.	Investigate the introduction of a new customer service survey.
INFRASTRUCTURE		
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Infrastructure maintenance is carried out without affecting train operations.	No recorded significant delays to regular scheduled passenger operations.
	Ensure the future of the company is protected.	Continuation of and further development of an Asset Management Plan.
HUMAN RESOURCES		
To retain and value our employees.	Relevant training is provided to staff.	Increase level of staff training and to update staff files to show individual training records.
	Expand company Values and ensure that all staff are fully engaged with the company's Vision, Purpose and Values.	Implement an annual staff engagement survey.

Statement of Intent 2017/18

Goals	Objectives	Performance Measures
SHAREHOLDERS		
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.	In the annual company's Statement of Intent having given consideration to shareholders expectations.
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.	Number of 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.	Number of substantive matters that have been reported to shareholders within 24 hours.
DCC Strategic Framework Accountabilities		
Goals	Objectives	Performance Measures
SOCIAL AND WELLBEING		
Making people feel connected and involved in Dunedin City's community and city affairs.	Promote and preserve the volunteer input to the business and to ensure that the reasonable needs of this group are met.	Measure volunteer hours in hosting trips over the year. Continue with a Memorandum of Co-Operation with OETT for the use of volunteer staff.
Be recognised as a positive contributor to our community.	Provide sponsorship to community events and organisations. Facilitate community access to venues.	Free train tickets given to community organisations/events. Continuation of relationship with Cadbury and Childcare Association to run train trips for their events. Agree for access to station/train for community activities.

Statement of Intent 2017/18

Goals	Objectives	Performance Measures
ECONOMIC DEVELOPMENT STRATEGY		
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. Using Trip Advisor to promote Taieri Gorge Railway	Domestic and international income earned maintained or grows per annum To monitor company rating on Trip Advisor
Establishing strategic projects with other cities/companies.	Increase passenger numbers from cruise ships. Increase tourist numbers to the city.	List initiatives which have been introduced. Growth in percentage of customers from outside the city.
Marketing Dunedin.	Customer satisfaction/industry liaisons Support Enterprise Dunedin on initiatives to market Dunedin.	Develop a customer survey to evaluate customer perceptions. Continue membership of Dunedin Host and partner with other operators for marketing initiatives. Evidence of participation in Enterprise Dunedin marketing campaigns.
ENVIRONMENT STRATEGY		
To reduce and monitor emissions.	Improving passenger numbers per litre of fuel.	List how many passengers per litre of fuel compared to previous year.
ARTS AND CULTURE STRATEGY		
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 ensure event can happen at Dunedin Station while train operations continue

Statement of Intent 2017/18

Goals	Objectives	Performance Measures
SPACIAL PLAN		
Reducing dependence on non-renewable resources.	Reduce dependence on use of hydrocarbon-based diesel and petrol.	Investigate use of biodiesel.
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 gorge and at Middlemarch.	The Company does not disturb the heritage nature of aspects of the line measured by any complaints.
An urban form that supports accessibility from a range of modes and sustainable transport choices.	Running trains with accessible vehicles to local destinations.	Retention of an accessible carriage and access ramps.
PARKS AND RECREATION STRATEGY		
Accessible recreational facilities.	Making recreational open spaces and facilities open to all.	Continuation of annual Walk the Gorge initiative.
INTEGRATED TRANSPORT STRATEGY		
Connectivity of centres.	Improving connections within and between centres.	Maintenance of a regular train/road tourist service to and from Queenstown and a train service to and from Oamaru.

8 FINANCIAL FORECASTS

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

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Shareholders' Funds to Total Assets	59.5%	59.0%	58.5%

The Company has adopted a target Shareholder Funds to Total Assets ratio (equity ratio) of 60%, 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 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Dividend/Subvention Distributions	Nil	Nil	Nil

c. Other Financial Forecasts

	Year ending 30/06/2018 \$'000	Year ending 30/06/2019 \$'000	Year ending 30/06/2020 \$'000
EBITDA	610	650	620
Net Profit after Tax	170	190	140
Cash Flow from operations	520	550	580
Capital Expenditure	550	560	580
Term Loans	160	180	240

The projections provided have been prepared using the most recent Company budget information and incorporate a number of assumptions about the future metric's 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 Taieri Gorge Railway Limited and 50% of Dunedin International 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 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.
	Affordable and healthy homes	People are living in warm and healthy homes and affordable housing options are available to all.
Economic Development Strategy (2012)	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.
	Linkages beyond our borders	Increasing international investment. Establishing strategic projects with other cities.
	A compelling destination	Marketing Dunedin and exporting education uplift.
Te Ao Tūroa - Environment Strategy (early draft themes)	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.
	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
Ara Toi – Arts & Culture Strategy	Identity Pride	Building unity and community pride by celebrating the city's character, diversity and individuality through arts and culture.
	Access and inclusion	Enabling self-expression and sharing of ideas to connect diverse people.
	Creative economy	Capitalising on the economic growth of the arts and culture sector.
	Inspired connections	Utilising existing networks and fostering new connections to facilitate creativity.
Spatial Plan (2012)	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.
	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.
Parks & Recreation Strategy (early draft themes)	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.
	Collaborate to provide and protect	Working collaboratively to improve recreation and environmental outcomes.
Integrated Transport Strategy (2013)	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.
Three Waters Strategy (2010)	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.