

Taieri Gorge Railway Limited

Statement of Intent

For the Year Ending 30 June 2017

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1 INTRODUCTION

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

Council-controlled trading organisation (CCTO) means a council-controlled organisation that operates a trading undertaking for the purpose of making a profit

A CCTO is required by law to produce a Statement of Intent (SOI). An SOI is an annual planning document.

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, Principal objective of council-controlled organisation of the Local Government Act (LGA) is:

- 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 6 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 these when able to do so; and
- d) Conduct its affairs in accordance with sound business practice.

4 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 72.03%
2. Otago Excursion Train Trust 27.97%

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 FINANCIAL FORECASTS

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

	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/18
Shareholders' Funds to Total Assets	54%	52%	54%

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 30/06/2016	Year ending 30/06/2017	Year ending 30/06/18
Dividend/Subvention Distributions	0	0	0

c. Other Financial Forecasts

	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/18
EBITDA	520	560	550
Net Profit after Tax	110	130	60
Cash Flow from operations	425	450	350
Capital Expenditure	360	380	400
Term Loans	300	200	300

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.

7 ACCOUNTING POLICIES

a) General Accounting Policies

The accounting policies recognised by the Chartered Accountants Australia New Zealand 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.

8 PERFORMANCE TARGETS AND OTHER MEASURES

Safety and Compliance		
Goals	Objectives	Performance Measures
To make safety our first priority and provide a safe environment	<p>Maximise safety on site 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>How many 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		
Goals	Objectives	Performance Measures
Grow the company's 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.
Improve the Company's equity ratio.	Reduce long term bank debt.	Bank debt reduced from previous year.
Maintain the Company's economic sustainability	On-going monitoring and refinement of the	Monthly passenger activity to the Board

through the mitigation of business risk.	company's risk strategy.	Financial risk analysis undertaken and mitigation measures reported to the Board as required.
Marketing and Business Objectives		
Goals	Objectives	Performance Measures
Increase passenger numbers using train services	To provide consistent and quality service which 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	Carry at least 80 000 passengers on no fewer than 700 trips per annum How many new initiatives have been implemented to improve business performance?
To develop diversified markets for the company's products	Identify and invest in route development opportunities	Increase in trips to new destinations
Customer Service		
Goals	Objectives	Performance Measures
Provide outstanding customer service to our valued customers.	To provide consistent and quality service which exceeds the expectations of customers Provide high standards of service to our customers and recognise the role the railway plays in connecting our customers to the Dunedin experience.	Monitor Trip Advisor to ensure customer satisfaction levels of 85% or better Investigate the introduction of a new customer service survey

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Infrastructure		
Goals	Objectives	Performance Measures
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Infrastructure maintenance is carried out without affecting train operations	No delays to regular scheduled passenger operations
	Ensure the future of the company is protected	Continuation of and development of an Asset Management Plan
Human Resources		
Goals	Objectives	Performance Measures
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
	To recognise and review staff performance	Each senior staff member has a formal annual performance review.
	Expand company Values and ensure that all staff are fully engaged with the company's Vision, Purpose and Values.	Develop an annual staff engagement survey.
	Adherence to EEO policy	No breaches of EEO policy
	Staff turnover	Not to exceed 15%
Shareholders		
Goals	Objectives	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.	In the annual company's Statement of Intent having given consideration to shareholders expectations.
Bring to the attention of the shareholders any	Consult with shareholders at the earliest	Number of matters that have been escalated to

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.	possible time on matters where conflict may or could result.	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		
Social and Wellbeing		
Goals	Objectives	Performance Measures
Making people feel connected and involved in 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.	Number of volunteer hours to host trips in 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
Building better communities both at a local/geographic level and communities of interest	Support local and wider communities.	Run train services to rural and coastal areas of Dunedin and Otago.
Promoting good health	To achieve the highest grade in food hygiene.	'Grade A' Dunedin City Council Food Hygiene

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		certificate achieved. What measures are in place to keep staff and visitors safe?
Promoting a good work/life balance and full employment	Promote staff taking leave	Annual Leave balance stable or falling
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. Using Trip Advisor to promote Taieri Gorge Railway	Domestic and international income earned maintained or grows per annum To stay in the top 5 out of 37 on Trip Advisor
Increasing the retention of graduates. Building the skills base.	Continue to support the 'Emerging Director of the Year' competition held in conjunction with Otago Southland Branch of the Institute of Directors.	Number of board meeting the winner attends.
Establishing strategic projects with other cities/companies	Increase passenger numbers from cruise ships. Increase tourist numbers to the city.	What initiatives have been introduced? Growth in percentage of customers from outside the city.
Marketing Dunedin	Formalise a Marketing plan to increase business. Support Enterprise Dunedin on initiatives to market Dunedin	New Marketing Plan introduced during the year. Develop a customer survey to evaluate customer perceptions Evidence of participation in Enterprise Dunedin marketing campaigns

Linkages beyond our borders	Maintain one of the only tourist links Queenstown to Dunedin and vv.	Continue with Track and Trail train and coach service from and to Queenstown.
Environment Strategy		
Goals	Objectives	Performance Measures
To be recognised as a positive contributor to our community.	Act as a socially and environmentally responsible corporate citizen. Develop sustainable practices.	Recycle plastic/cardboard waste generated.
Protecting, restoring and enhancing Dunedin's natural heritage, biodiversity, landscapes and ecosystems	Carry out a weed control programme and continually review company operations for environmental issues.	Weed control operation carried out.
To reduce and monitor emissions.	Improving passenger numbers per litre of fuel	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
	Enhance awareness of the heritage value of Taieri Gorge Railway and Dunedin Railway	Maintain a heritage plaque at Dunedin Railway Station and report to the City any station

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	Station.	building heritage deterioration
Utilising existing networks and fostering new connections to facilitate creativity.	Increase number of train services on tracks within the city from the previous year.	Achieved/not achieved.
Spatial Plan		
Promoting a healthy and safe environment; quality air and water; a connected community; recreation, leisure and learning, opportunities; healthcare, and warm housing.	Continue to make Dunedin look good as a recreation and leisure community through the provision of attractive train services	Measured by the number of trains run and the Trip Advisor rating for the train services
Reducing dependence on non-renewable resources	Reduce dependence on use of hydrocarbon-based diesel and petrol	Investigate use of biodiesel
Celebrating Tangata Whenua and European 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.
Protecting significant landscapes; quality architecture.	Carry out a weed control programme.	What work has been completed in the Taieri Gorge on weed control?
Maintaining and growing our rural economy, industrial base.	Operating a mechanical workshop and track maintenance team and employing local staff	Retention of in house maintenance teams.
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		
Managing green and open spaces to provide for social interaction and physical health and wellbeing	Maintaining network of walking and cycle tracks, picnic areas and other public amenities.	Running trains to the Strath Taieri to connect with the Rail Trail and provision of toilet facilities at Pukerangi and Middlemarch and on the train
Accessible recreational facilities	Making recreational open spaces and facilities open to all.	Continuation of annual Walk the Gorge initiative
Integrated Transport Strategy		
Efficiently and effectively moving freight.	Ability to carry freight	Taking passenger freight on suitable vans and investigating opportunities for bulk freight transport
Connectivity of centres	Improving connections within and between centres	Maintenance of a regular train/coach tourist service to and from Queenstown and a train

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		service to and from Oamaru
Three Waters Strategy		
Improving the quality of our discharges to minimise the impact on the environment.		No discharges into waterways from operations

9 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
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

10 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.

The Company notes the Shareholder's desire to receive dividends representing 50% after tax profits (excluding the tax adjusted effect of revaluations, unrealised capital gains and losses, unrealised treasury gains and losses) and will use its best endeavours to accommodate that desire within the constraints imposed by the Directors' obligations to act in accordance with their statutory duties and in the best interests of the Company Distributions at that level. Any dividends will be paid in two instalments 31 December and 30 June.

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 make the city look good
- Community and marketing activities on behalf of the city

11 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 Shareholder, 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 Shareholder where an investment into the new assets exceeds \$1.0 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 \$1.0 million they will obtain prior approval of the Shareholder.

The approval of the Shareholder 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 \$1.0 million.

12 COMPENSATION SOUGHT

At the request of the 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.

13 COMMERCIAL VALUE OF SHAREHOLDERS' INVESTMENT

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

14 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 Shareholder.
- b) The approval of the Shareholder 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 11 above.
- c) The Company has entered into a Deed of Understanding between itself, the Dunedin City Council, Dunedin City Holdings Limited and members of the Group, imposing upon the Company certain restrictions, requirements and obligations as set out in the Deed.

15 TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder in 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 Venues Limited.

Dunedin City Holdings Limited owns 72.03% of Taieri Gorge Railway 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 Companies
	Lease of Council owned land
	Provision of Financial Services
Dunedin City Treasury Limited	Specific Treasury Functions
Dunedin City Holdings Limited	Functions appropriate between
	Parent company and subsidiaries

16 GROUP FACILITY USE

The Company will undertake to operate "group" purchasing of goods and services unless it is demonstrated conclusively to the Shareholder 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.

17 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 Company existed as the Otago Excursion Train Trust until 1995 when capitalisation and restructuring formed the Taieri Gorge Railway Company.

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

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.