

Finance and Corporate Committee - 1 August 2018 Attachments

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Minutes of a meeting of the Finance and Corporate
Committee held in the Edinburgh Room, Municipal
Chambers, The Octagon, Dunedin on
Wednesday 13 June, commencing at 11:02 am

Membership

Cr Doug Brown	<i>(Chairperson)</i>
Cr Andrew Noone	<i>(Deputy Chairperson)</i>
Cr Graeme Bell	
Cr Michael Deaker	
Cr Carmen Hope	
Cr Trevor Kempton	
Cr Michael Laws	
Cr Ella Lawton	
Cr Sam Neill	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Stephen Woodhead	

Welcome

Cr Brown welcomed Councillors, members of the public and staff to the meeting and the attendees for public forum.

1. APOLOGIES

Apology noted for Cr Woodhead.

2. LEAVE OF ABSENCE

Leave of Absence noted for Cr Kempton.

For our future

3. ATTENDANCE

Sarah Gardner	<i>(Chief Executive)</i>
Nick Donnelly	<i>(Director Corporate Services)</i>
Tanya Winter	<i>(Director Policy, Planning & Resource Management)</i>
Sian Sutton	<i>(Director Stakeholder Engagement)</i>
Gavin Palmer	<i>(Director Engineering Hazards & Science)</i>
Scott MacLean	<i>(Director Environmental Monitoring & Operations)</i>
Sally Giddens	<i>(Director People & Safety)</i>
Ian McCabe	<i>(Executive Officer)</i>
Mike Roseler	<i>(Manager Corporate Planning) - Item 10.2</i>
Gerard Collings	<i>(Manager Support Services) - Item 10.2</i>
Petra Hunting	<i>(Minute taker)</i>

4. CONFIRMATION OF AGENDA

Cr Brown requested a change in item order for the agenda as:

10.3 Wanaka Depot,

10.2 Director's Report, followed by item

10.1 Long Term Plan Hearing Committee recommendations.

Agreed.

5. CONFLICT OF INTEREST

No conflicts of interest were advised.

6. PUBLIC FORUM

Alpine Lakes Research Centre (ALREC) proposal.

Speakers Ruth Harrison (ALREC) joined the meeting via video link with Mara Wolkenhauer (Otago University) in attendance.

Cr Lawton, stepped away from the Council table and introduced the ALREC proposal, outlining the community desire for pristine water quality and being proactive in undertaking and funding and projects. The proposal sought Council support to the lease of the Wanaka depot buildings to allow groups and organisations to work collaboratively on projects.

Discussion was held lease term, rental cost and business plan ALREC were proposing.

Ms Wolkenhauer provided a summary of background on the community lead initiative and the role the Wanaka depot site could provide for interaction between community groups and organisations such as Lake Wanaka Trust, Fish and Game and the Otago University.

Ruth Harrison spoke in support of the proposal as member of the ALREC steering group and Wanaka Community Board as it would allow:

- Council to partner with the community on issues such as Lake Snow.
- Enable community to provide complimentary and additional science, e.g. projects on freshwater.

Cr Lawton responded to councillors on questions of clarification.

Draft Long Term Plan - Lake Hayes

Andrew Davis spoke via video link.

He advised the community is seeking Council's position, and commitment (including set plan and timelines) for the restoration of Lake Hayes. Mr Davis commented that clarity on Council's position would encourage and enable others to join in the efforts.

Mr Davis responded to questions of clarification from councillors.

Public forum closed at 11:45 am.

7. PRESENTATIONS

No presentations were held.

8. CONFIRMATION OF MINUTES

Resolution

That the minutes of the (public portion of the) meeting held on 2 May 2018 be received and confirmed as a true and accurate record.

Moved: Cr Noone

Seconded: Cr Hope

CARRIED

9. ACTIONS

Report No.	Meeting	Resolution	Status
10.2 Passenger Transport Update	21/3/18	That the changes to the Waikari and Helensburgh services outlined in Option 5 are endorsed and implemented as soon as practicable	CLOSED. Scheduled for 2 July 2018
10.2 Director's report – Peninsula Bus Service	2/5/18	That the Council immediately take proactive steps in addressing the misinformation that has been publishing relating to the peninsula bus service issue.	CLOSED Mr Donnelly advised the action as completed, following the 2 May 2018 meeting, with an advertorial published in the Otago Daily Times newspaper. Status report on the resolutions of the Finance and Corporate Committee.

The meeting reconvened at 1:25 pm.

10. MATTERS FOR COUNCIL DECISION

10.1. 2018-2018 Long Term Plan Hearing Committee recommendations

An apology was noted for Cr Neill.

The report detailed the Hearing Committee's recommendations on public submissions to the Consultation Document for Council's Long-Term Plan 2018 -28 'For Our Future' in support of the intended adoption of the the Long-Term Plan 2018-28 (LTP) at the Council 27 June 2018 meeting.

Discussion was held on the impact on estimates.

State of the Environment Water Monitoring

Resolution

Amendment - install all three lakes buoys in the next financial year. (Year 1 of the LTP)

Moved Cr Laws

Seconded Cr Scott

CARRIED

Environmental Enhancement - Lake Hayes

Mrs Sutton (Director Stakeholder Engagement) confirmed and engagement process and communication strategy is being developed. She confirmed that during the consultation process that the economic assessment had been targeted.

Dr Palmer advised an upcoming report on time frame, consultation feedback, costs on current options would be provided to Council.

A request was made for a map of all the catchment groups in Otago to be provided to the next Council round. AGREED.

Public Passenger Transport

A request was made for staff to provide information on the Long Term Plan process for looking at the school bus services of the Regional Public Transport Plan (RPTP). Mrs Gardner advised this request was noted.

Biodiversity & Pests - Predator free Dunedin

Resolution

- a) *Approves \$300,000 to Predator Free Dunedin in year 1 LTP funded equally from the environmental enhancement fund and general reserve and that potential funding and funding method for years 2 – 5 is consulted as part of the 2019 Annual Plan.*

Moved Cr Lawton
Seconded Cr Robertson
CARRIED

It was noted Council's commitment to funding for the next five years.

Lake Dunstan – Lagarosiphon control

Cr Laws sought a funding increase to match the LINZ funding of \$50,000.

Cr Robertson advised that more information would be required to support the increase in funding, including what additional work would be provided for the additional \$25,000 funding. She also requested for Cr Laws to declare his interest in the petition.

Cr Laws advised he was not part of a group at this moment, he was a chair of Lake Dunstan Guardians but no longer involved.

Resolution

Increase rate of funding to \$50,000.

Moved Cr Laws
Seconded Cr Lawton
vote: 3 in favour, 6 against
The motion was lost

Discussion was held on the community commitment for increase funding for lagarosiphon control as a targeted rate.

Resolution

Consider an additional \$25,000 funding in our next year's LTP

Moved: Cr Noone
Seconded: Cr Lawton
CARRIED

Regional Leadership - establishment of an Alpine Lakes Technical Advisory Group (TAG)

Resolution

Direct staff to consider and report back to Council benefits and risks on the establishment of an Alpine Lakes Technical Advisory Group (TAG).

Moved : Cr Noone

Seconded: Cr Deaker

CARRIED

Resolution

The Chief Executive is asked to report on establishing a water advisory group with technical expertise.

Moved: Cr Laws

Seconded: Cr Scott

CARRIED

Resolution

That the Finance and Corporate Committee:

- a) Receives the public submissions to the Consultation Document for Council's Long Term Plan 2018-28 'For Our Future'*
- b) Notes attachment 4 provides a council staff summary of the public submissions to the Consultation Document for Council's Long Term Plan 2018-28 'For Our Future'*
- c) Notes attachment 1 provides the Hearing Committee recommended changes to complete the Otago Regional Council Long Term Plan 2018 -28*
- d) Notes attachment 2 shows the financial impacts of the Hearing Committee recommended changes*
- e) Endorses the Hearing Committee recommendations contained in attachment 1 of this report (with the changes that have been moved)*
- f) Directs Council staff to implement the recommendations in attachment 1 along with any amendments decided at the 13 June 2018 Finance and Corporate meeting to complete the Long Term Plan for Council approval at its 27 June 2018 meeting*
- g) Notes that the Council's external auditors will complete the legal requirement of auditing and reporting on the Long Term Plan 2018-28 based on the recommendations of the 13 June Finance & Corporate Committee meeting*
- h) Notes that the Council Rates Resolution will be put to the 27 June Council meeting following adoption of the Long Term Plan 2018-28.*

Moved: Cr Brown

Seconded: Cr Noone

CARRIED

10.2. Director's Report

The report advised the significant financial and corporate activity and presented the account payments for endorsement.

Peninsula Bus Service Petition

Mr Jason Graham and Mr Paul Pope in attendance on behalf of the Peninsula community.

Cr Brown noted the submission from Peninsula Bus and petition presented to 16 May Council meeting with 3 recommendations made and consideration is being made today.

Cr Neill spoke in support of the petition requests for a 10 minute change to the current 7.57 service from the peninsula to 7:47 am, route review to change the bus route from the causeway for convenience and safety. He advised he was pleased to see Council review of the additional 3:08 pm service to the peninsula.

Moved Cr Neill

Seconded Cr Scott

- a) Council grant the ten-minute timetable change 7:47 am bus from Portobello as soon as practicable.*
- b) That Council make a small route adjustment as requested in option B of the petition for the now 7:47 am bus and for the new 3:08 pm bus when implemented.*
- c) That the introduction of 3:08 pm service is investigated further including undertaking negotiations with the operator and seeking NZTA funding approval and do this as soon as practicable.*

Discussion was held on implications (including consultation) to variations to the Regional Public Transport Plan (RPTP), in regard to what determined a minor or significant variation.

A request was made to seek a legal opinion on the policy for variation.

Cr Lawton left the room at 12:38 pm.

Moved Cr Neill

Seconded Cr Scott

- a) Council grant the ten-minute timetable change 7:47am bus from Portobello as soon as practicable.*
CARRIED (Cr Robertson voted against the motion)
- b) That Council make a small route adjustment as requested in option B of the petition for the now 7:47 am bus and for the new 3:08 pm bus when implemented*
CARRIED (Crs Deaker and Robertson voted against the motion)

- c) *That the introduction of 3:08pm service is investigated further including undertaking negotiations with the operator and seeking NZTA funding approval and do this as soon as practicable.*

CARRIED

Resolution

- a) *That this report is received.*
b) *That the payments summarised in the table above and detailed in the payments schedule, totalling \$2,972,999.77, be endorsed.*

Moved Cr Noone

Seconded Cr Scott

CARRIED

Resolution

That legal comment is sought on the trip point for significance policy of the RPTP and a report be brought back to the 27 June Council meeting.

Moved Cr Laws

Seconded Cr Scott

CARRIED

The meeting adjourned at 12:50 pm.

10.3. Wanaka Depot leasing proposal

The report outlined the proposal received from the Alpine Lakes Research and Education Centre (ALREC) Board to lease Council's Wanaka depot to facilitate the creation of an alpine lakes research and education centre in Wanaka. The report sought Council direction on whether the initiative should be considered and progressed.

Cr Laws proposed amendments to the recommendations, to:

- Negotiate to seek an agreement for the CE to negotiate mutually acceptable terms with ALREC terms for the lease of ORC's vacant Wanaka building including updates of buildings work programmes and reporting progress back to the Council
- ALREC responsible for: rates and insurance; building maintenance; 3 year renewable lease

Discussion was held on the setting of a precedence for leasing of the depot to a catchment group, protection of Council's future use of the site, rental cost expectations and term, partnership expectations and benefits to Council work programmes for the alpine lakes and Upper Clutha catchment.

Resolution

That the motion be left to lie on the table and discuss at next round.

Moved: Cr Laws

Seconded: Cr Deaker

CARRIED

Resolution

- a) *That this report is received, and*
 - b) *That Council considers whether it wishes to financially support community groups such as ALREC either financially or in-kind.*
- CARRIED**

(motions c,d and e were left to lie on the table)

- c) *If the above is supported, that Council considers the ALREC proposal to lease some or all of the Wanaka depot and determines whether such an agreement should be entered into, and*
- d) *If an agreement is to be entered into with ALREC, authorise the Chief Executive to under take negotiations, and*
- e) *Provide guidance as to acceptable lease term and rental to be paid if an amount other than market is to be considered.*

10.4. Passenger Transport Update

This report provides the Finance and Corporate Committee with an update on significant public passenger transport activity.

This report provides the Finance and Corporate Committee with an update on significant public passenger transport activity, including: changes to the Wakari and Helensburgh routes; Peninsula bus stop and central city bus loop investigation.

Resolution

- a) *That this report be received.*
- b) *That no further action be taken on the development of a central city bus loop and the DCC be advised of this decision and provided a copy of the attached report.*

Moved: Cr Brown
Seconded: Cr Noone
CARRIED

11. MATTERS FOR NOTING

11.1. Financial Report to 30 April 2018

The report provided a summary of the Council's financial performance compared to budget for the ten months ended 30 April 2018, and a summary of the financial position as at that date.

Resolution

- a) *That this report is received.*

Moved: Cr Noone
Seconded: Cr Robertson
CARRIED

12. NOTICES OF MOTION

No Notices of Motion were advised.

12. CLOSURE

The meeting was declared closed at 02:50 pm.

Chairperson

Status report on the resolutions of the Finance and Corporate Committee.

Report No.	Meeting	Resolution	Status
10.1. 2018-2018 Long Term Plan Hearing Committee recommenda tions	13/6/2018	State of the Environment Water Monitoring <i>Amendment - install all three lakes buoys in the next financial year. (Year 1 of the LTP)</i>	Implemented
		Biodiversity & Pests - Predator free Dunedin <i>Approves \$300,000 to Predator Free Dunedin in year 1 LTP funded equally from the environmental enhancement fund and general reserve and that potential funding and funding method for years 2 – 5 is consulted as part of the 2019 Annual Plan.</i>	Implemented
		Lake Dunstan – Lagarosiphon control <i>Consider an additional \$25,000 funding in our next year's LTP</i>	For consideration in the 2019 Annual Plan.
		Regional Leadership - establishment of an Alpine Lakes Technical Advisory Group (TAG) <i>Direct staff to consider and report back to Council benefits and risks on the establishment of an Alpine Lakes Technical Advisory Group (TAG).</i> <i>The Chief Executive is asked to report on establishing a water advisory group with technical expertise.</i>	
		<i>Directs Council staff to implement the recommendations in attachment 1 along with any amendments decided at the 13 June 2018 Finance and Corporate meeting to complete the Long Term Plan for Council approval at its 27 June 2018 meeting</i> <i>Notes that the Council's external auditors will complete the legal requirement of auditing and reporting on the Long Term Plan 2018-28 based on the recommendations of the 13 June Finance & Corporate Committee meeting</i> <i>Notes that the Council Rates Resolution will be put to the 27</i>	CLOSED. Council meeting 27 June 2018

		<i>June Council meeting following adoption of the Long Term Plan 2018-28.</i>	
Wanaka Depot leasing proposal	13/6/2018	<p><i>That the motion be left to lie on the table and discuss at next round.</i></p> <p><i>That Council considers whether it wishes to financially support community groups such as ALREC either financially or in-kind.</i></p>	
Passenger Transport Update	13/6/2018	<i>That no further action be taken on the development of a central city bus loop and the DCC be advised of this decision and provided a copy of the attached report.</i>	
Director's Report <u>Peninsula Bus Service Petition</u>	13/6/2018	<p><i>a) Council grant the ten-minute timetable change 7:47 am bus from Portobello as soon as practicable.</i></p> <p><i>b) That Council make a small route adjustment as requested in option B of the petition for the now 7:47 am bus and for the new 3:08 pm bus when implemented.</i></p> <p><i>c) That the introduction of 3:08 pm service is investigated further including undertaking negotiations with the operator and seeking NZTA funding approval and do this as soon as practicable.</i></p> <p><i>That legal comment is sought on the trip point for significance policy of the RTP and a report be brought back to the 27 June Council meeting</i></p>	



Statement of Corporate Intent

For three years to 30 June 2021

Port Otago Limited

This statement is presented by the Directors of Port Otago Limited in accordance with the requirements of Section 9 of the Port Companies Act 1988 and reflects the intentions of Port Otago Limited, its subsidiaries and associates (“the Group”) for the three years of the Company’s operations from July 2018 to June 2021.

1. Objectives of the Group

- 1.1. To provide a quality service to cargo owners (Customers) and shipping lines (Partners) by way of a competitive choice in the supply chain.
- 1.2. To provide staff with, a safe working environment, satisfying rewards and opportunities and training for increased responsibilities and advancement within the Group.
- 1.3. To continue to review activities and services focusing on continuous improvements and optimum utilisation of staff and resources to meet the demands of changing trade patterns.
- 1.4. To implement pricing and cost management strategies so that long term profits are earned to give shareholders an appropriate return on the port infrastructure and to provide funds for future development of the Group.
- 1.5. To recognise in all aspects of the Group’s activities the environmental sensitivity of the Otago Harbour and the impact on local communities.
- 1.6. To conduct itself as a good corporate citizen consulting on matters of public interest.
- 1.7. To communicate the Company’s plans and achievements to staff, shareholders and the wider community and to be receptive to constructive comment.
- 1.8. To manage the investment property portfolio through active acquisition, development and, at times, divestment to produce a diversified portfolio by property type and location.
- 1.9. To manage investment property holdings to achieve the best long-term value gain while limiting exposure to undeveloped land.

2. Nature and scope of activities

- 2.1. The activities of the Company, its subsidiaries and associates are to comprise generally:
 - 2.1.1. The efficient operation and promotion of the Port Otago Group.
 - 2.1.2. Provision of integrated container and cargo handling, warehousing, container depot and cruise services.
 - 2.1.3. Provide pilotage and towage services to facilitate the safe navigation of commercial shipping requiring pilotage within the Otago Harbour and Fiordland.

- 2.1.4. Grow the investment property portfolio, evaluate and take up new investment and development opportunities to improve asset values, and rates of return. Sales of leasehold land will be considered where a sale advances development and employment opportunities in Dunedin.
- 2.1.5. Evaluate opportunities considered likely to add value to, or enhance the competitiveness of, the Company.
- 2.1.6. Such other actions that may be required to meet the objectives of the Company recorded under item (1) above.

2.2. The following table details the company's trading subsidiaries and joint ventures:

Name	% owned	Principal Activity
<i>Subsidiaries</i>		
Chalmers Properties Limited	100%	Property investment
Te Rapa Gateway Limited	100%	Property investment
Fiordland Pilot Services Limited	100%	Shipping services
<i>Joint ventures and associates</i>		
Icon Logistics Limited	50%	Transport company
Hamilton Porter Joint Venture	66.6%	Property investment

2.3. The specific activities of the Group for the three years under review to June 2021 are expected to include the following:

2.3.1. Year ending June 2019

Port Otago – port operations

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate wharf infrastructure to enable sustainable cargo flows for future generations.
- c) Continue to invest in cruise infrastructure and resources to accommodate the expected 120 cruise ship visits.
- d) Complete the Fryatt Street log yard expansion to provide additional capacity for our log customers.
- e) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- f) Complete the extension to the Multi-Purpose wharf.
- g) Complete the Boiler Point fishing wharf to enable the public to enjoy this new public amenity.
- h) Obtain a resource consent for the new beach project at Te Rauone and start construction of the groynes

- i) Evaluate replacing Port Otago Head Office at Port Chalmers.
- j) Commence the removal of material from the Flagstaff Hill.
- k) Complete the removal of asbestos and demolish the Fryatt Street Sheds and make safe for public use. Removal of all remaining asbestos from Port Otago facilities to move to an asbestos free workplace.
- l) Continue to work constructively with community consultative groups.
Continue to review and refreshing, when required, community engagement.
- m) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

Chalmers Properties Limited, subsidiary and joint ventures

- a) Continue to implement the strategy for enhancement of the property portfolio.
- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

2.3.2. Year ending June 2020

Port Otago – port operations

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate wharf infrastructure to enable sustainable cargo flows for future generations.
- c) Continue to invest in cruise infrastructure and resources to handle the expected 120 cruise ship visits.
- d) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- e) Complete construction of the goynes and sand renourishment at Te Rauone beach
- f) Complete the removal of material from the Flagstaff Hill and realign the road and rail line to Back Beach.
- g) Continue to work constructively with community consultative groups and continue to review and refresh, when required how Port Otago engages.
- h) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

Chalmers Properties Limited, subsidiary and joint ventures

- a) Continue to implement the strategy for enhancement of the property portfolio.
- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.

- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

2.3.3. Year ending June 2021

Port Otago – port operations

- a) Continue to build the safety culture across all aspects of the business.
- b) Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate wharf infrastructure to enable sustainable cargo flows for future generations.
- c) Continue to improve cruise infrastructure to handle the expected 120 cruise ship visits.
- d) Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- e) Continue to work constructively with community consultative groups. Continue to review and refreshing, when required, community engagement.
- f) Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

Chalmers Properties Limited, subsidiary and joint ventures

- a) Continue to implement the strategy for enhancement of the property portfolio.
- b) Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c) Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

3. Ratio of Consolidated Equity to Total Assets

Financial Year ending 30 June	Actual or estimate	Consolidated Shareholders funds	Total assets	Ratio of Shareholders Funds to Total Assets
2017	Actual	\$433m	\$534m	81%
2018	Estimate	\$450m	\$563m	80%
2019	Estimate	\$457m	\$571m	80%
2020	Estimate	\$464m	\$580m	80%
2021	Estimate	\$471m	\$589m	80%

Equity comprises the issued and paid up capital together with retained earnings, the property revaluation reserve and any other reserves. Total assets represent all assets of the Group determined in accordance with the accounting policies as set out in the 2018 Annual Report.

The preferred range over time for the equity ratio is between 70% and 85%. The timing of capital expenditure, the income yields on Company investments and prevailing market conditions may

mean it is prudent for the Company to operate outside the preferred equity ratio range for periods of time.

4. Accounting Policies

The Company's accounting policies are detailed in the 2018 Annual Report which is available from the Company's website located at <http://www.portotago.co.nz>

5. Performance Targets

The performance of the Company in relation to its objectives may be judged by comparing actual results with budgeted targets of the following nature:

5.1. Health & Safety

The Company has a Zero Harm strategy in place whereby it endeavours to be an industry leader in setting new standards of health and safety. With the involvement of every team member it is planned we'll thoroughly understand and manage our critical risks, to progressively improve health and safety performance across the business.

The key health and safety performance measures are:

- Maintain a Total Recordable Injury Frequency Rate (TRIFR) of < 10 for every 1 million man hours worked.
- Leadership Team undertake a minimum of 40 Visual Safety Leadership Audits / Observations each month
- Identification and management of critical risks

5.2. Trade

Port Otago's 2019 financial year budgeted container throughput is 200,000 twenty foot equivalent units (TEU) and the budgeted conventional cargo throughput is 1.7 million tonnes.

The expected number of vessel arrivals in the year to 30 June 2019 is 540 vessels.

5.3. Container terminal productivity

The Company aims to achieve average gross container crane productivity for the year ending 30 June 2019 of 27.5 lifts per crane hour.

5.4. Sustainability

The Company aims to minimise the impact of port operations on the environment and our neighbours.

The key Sustainable Performance targets are:

- No Harbour pollution discharge occurrences
- No breaches of consent conditions
- Reduction in energy usage and adoption of new technology such as electric vehicles

5.5. Financial measurement and performance

The performance measures to be used are:

Earnings before interest and taxation (EBIT) return on average total assets.

Return on equity	Profit, including unrealised fair value movements, divided by average shareholders' equity.
Equity ratio	The percentage that shareholders' funds represent of total assets with the target range between 70% and 85%.
Debt servicing ratio	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges. Unrealised fair value movements include investment property revaluations, changes in the value of interest rate swaps and changes in the value of foreign exchange contracts.

The budgeted targets for Port Operations, Chalmers Properties Ltd (excluding property revaluations) and the Port Otago Group for the year ending 30 June 2019 are:

Port Operations

EBIT return on assets	6.2%
Return on equity	8.7%
Equity ratio at 30 June 2019	72%
Debt servicing ratio	9.3 times

Chalmers Properties Ltd

EBIT return on assets	5.9%
Return on equity	5.2%
Equity ratio at 30 June 2019	86%
Debt servicing ratio	10.1 times

(Property revaluations not included)

Port Otago Group

EBIT return on assets	6.1%
Return on equity	5.4%
Equity ratio at 30 June 2019	80%
Debt servicing ratio	9.7 times

6. Dividend Policy

The return to the shareholders from shares held in Port Otago Limited will include dividends from trading profits earned.

The intention is to maintain ordinary dividends at least at \$7.5 million, increasing over time to within the range of 50% to 70% of the group's normalised operating surplus after tax.

Subject to meeting the required solvency tests, pay a special dividend of \$0.75 million for the year ended 30 June 2019.

7. Information for Shareholder

Sufficient information will be made available to the Company's shareholder so that they may properly assess the value of their investment in the Company, in particular any change in value.

An Interim Report covering the six months to 31 December of each year shall be provided by 28 February. The report shall include a commentary on activities and unaudited financial statements for the period.

The Annual Report for each year ending 30 June shall be provided by 30 September of each year. The annual report shall include a commentary on activities, a comparison with performance targets set out in the Statement of Corporate Intent and audited financial statements for the year.

In conjunction with the Interim and Annual Reports the Company shall report to the shareholder on progress with implementing the Objectives and the Specific Activities set out in the Statement of Corporate Intent.

8. Procedures for business acquisition

The Group will only invest in shares of another company or business if the acquisition will produce shareholder added value over the longer term.

If any Company within the Group intends to subscribe for or otherwise acquire a financial interest in any company or business where the cost of that interest or acquisition exceeds 10% of Group shareholders funds it will have prior consultation with its shareholders.

9. Activities subject to Compensation

The Company will provide the following services for the Otago Regional Council for which the company expects to be remunerated or reimbursed by the Regional Council:

- a) Assistance in matters of good navigation and safety on Otago Harbour.
- b) Provision of such services as may be requested by the Regional Council.

Appendix 1 - Dunedin Public Transport Report

June 2018

Dunedin fare revenue and patronage continues to rise compared to the previous year. June shows a decrease in revenue and patronage compared to the May, which reflects previous year's seasonal trends. Fare Revenue from 2018 to date shows revenue is up by 10% as we reach the middle of the year. Patronage to date is also showing an 11% increase compared to the same time last year.

Fare Revenue June 2018

\$464,242

▲ 7% vs 2017

2018 Fare Revenue to date

\$2,829,554

▲ 10% vs 2017

Patronage June 2018

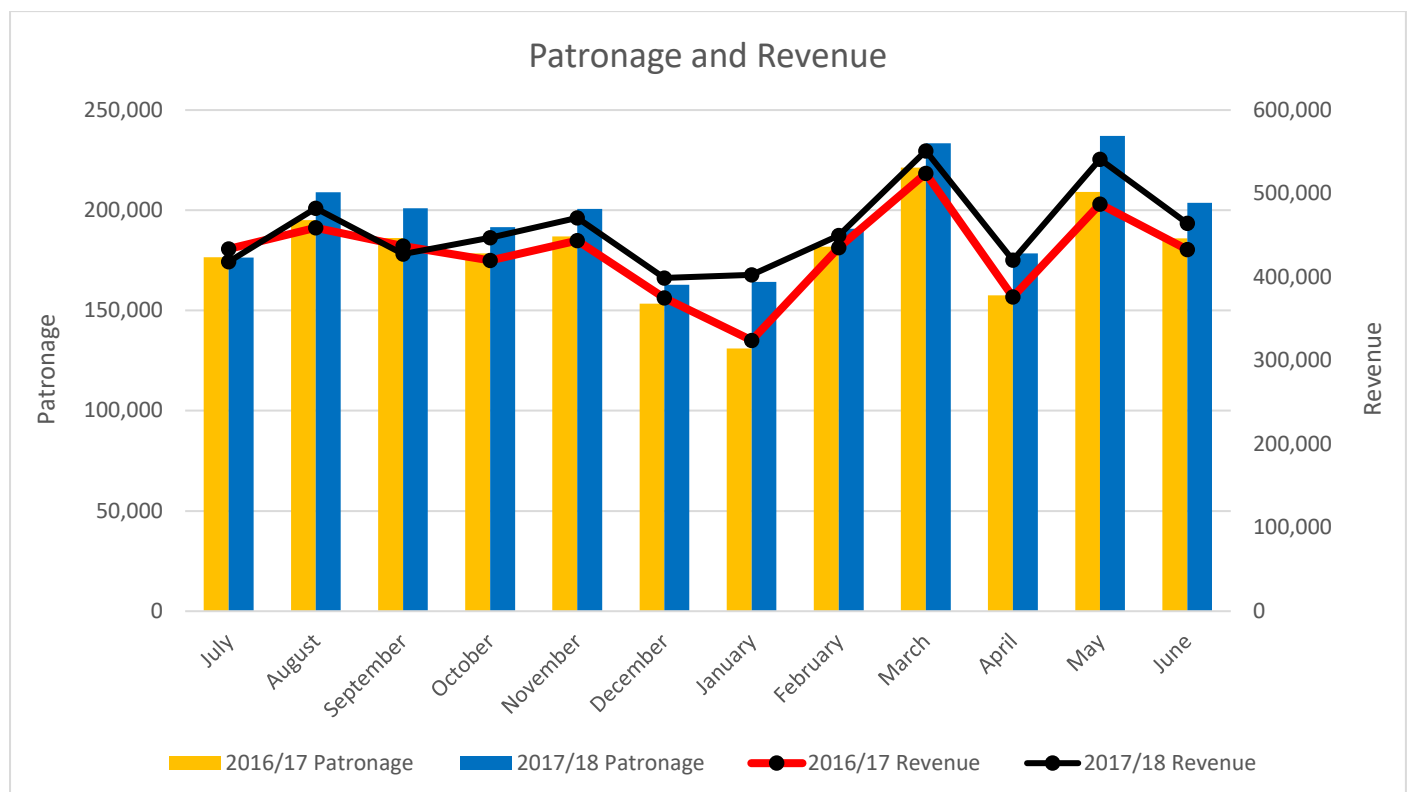
203,698

▲ 10% vs 2017

2018 Patronage to date

1,207,813

▲ 11% vs 2017



The graph above shows revenue and patronage for the 2017/2018 compared to the previous year 2016/2017. We can clearly see an increase in revenue particularly from April through to June this year which follows the same trend as the 2016/2017 revenue line. Patronage is also up compared to the previous year, May 2018 shows our highest patronage from the past year.

Unit 1

- Balaclava
- Logan Park
- Concord
- Port Chalmers
- Northern services
- Peninsula

Unit 2

- St Clair
- Normanby
- Corstorphine
- Wakari
- St Clair Park
- Helensburgh

Dunedin Transitional Services

- Pine Hill
- Lookout Point
- Shiel Hill
- Opoho
- Ridge Runner

Unit 4

- Brockville/Half. Bush/St Kilda
- Waverley
- Ocean Grove
- Ross Creek
- Belleknowes
- Kenmure

Unit 5

- Mosgiel
- Mosgiel Loop
- Abbotsford

Unit 1 Revenue June 2018

\$90,589

Unit 1 Patronage

35,075

Unit 2 Revenue June 2018

\$129,045

Unit 2 Patronage

60,408

Transitional Services June 2018
Revenue June 2018

\$79,893

Unit 3 Patronage

39,127

Unit 4 Revenue June 2018

\$104,907

Unit 4 Patronage

48,567

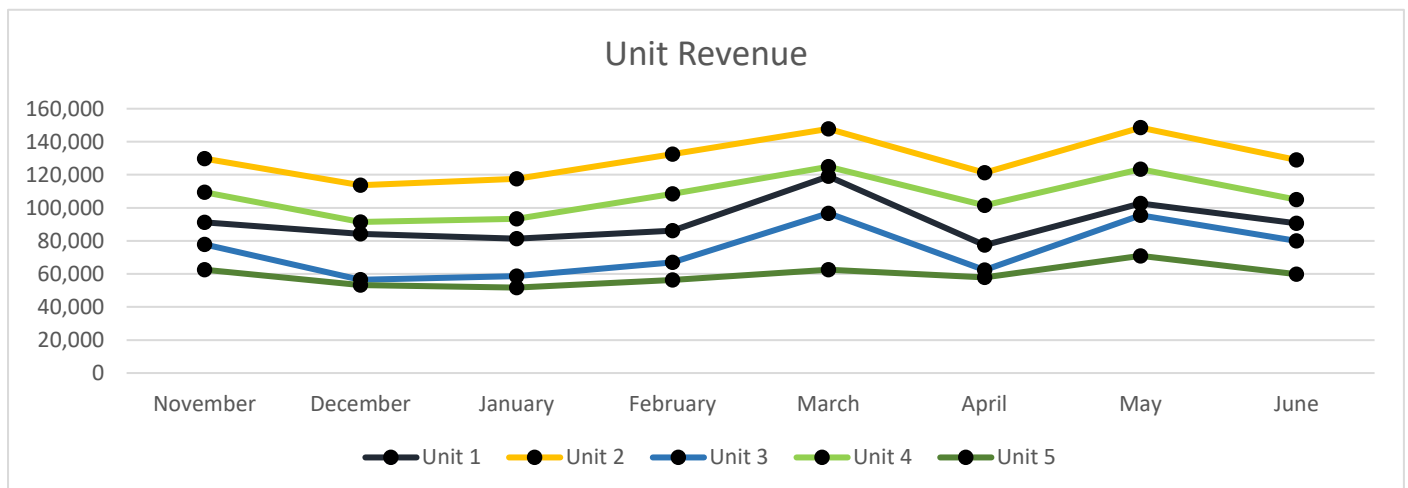
Unit 5 Revenue June 2018

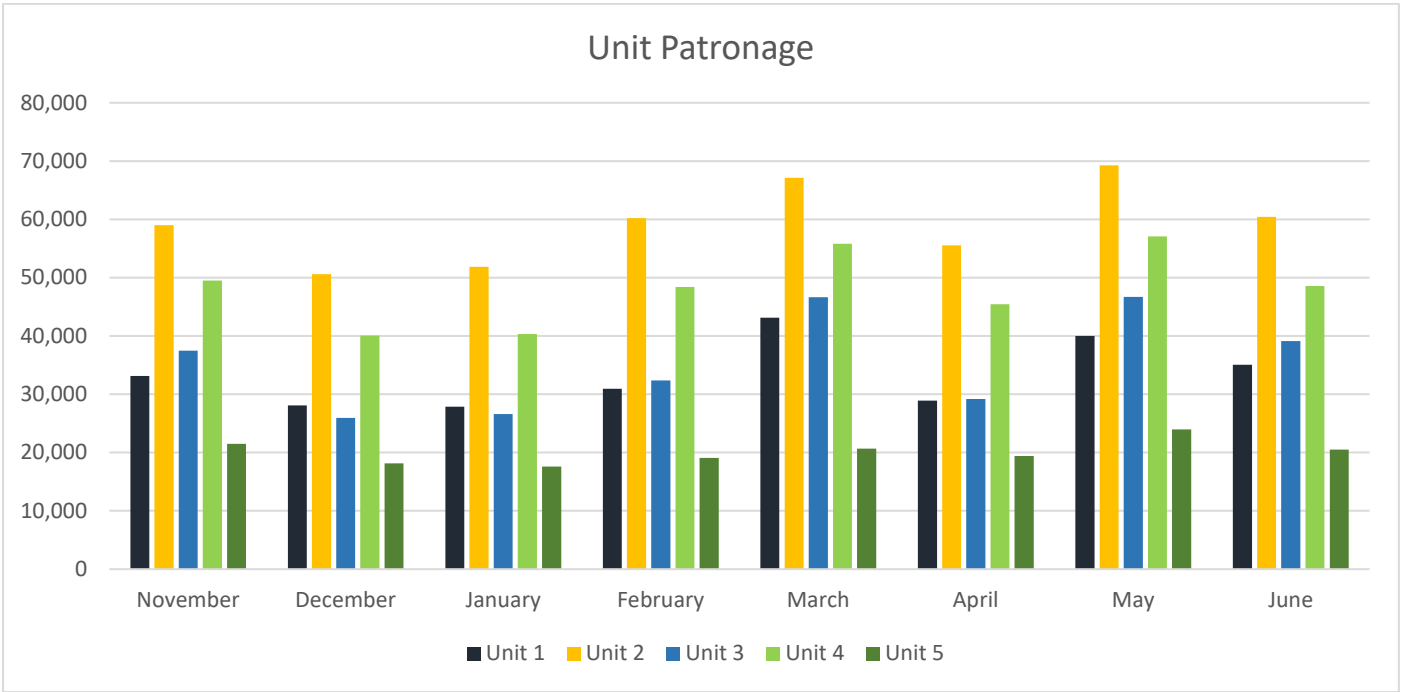
\$59,809

Unit 5 Patronage

20,521

Unit revenue and patronage continues track steadily.





Appendix 2 - Queenstown Public Transport

June 2018

Queenstown fare revenue and patronage continues to rise compared to the previous year. June shows a slight increase in revenue and patronage compared to the previous month. Fare Revenue from 2018 to date shows revenue is up by 4% as we reach the middle of the year, continuing to outperform projections. Patronage to date is also showing an 153% increase compared to the same time last year.

Fare Revenue June 2018

\$237,828

▲ 16% vs 2017

2018 Fare Revenue to date

\$1,557,989

▲ 4% vs 2017

Patronage June 2018

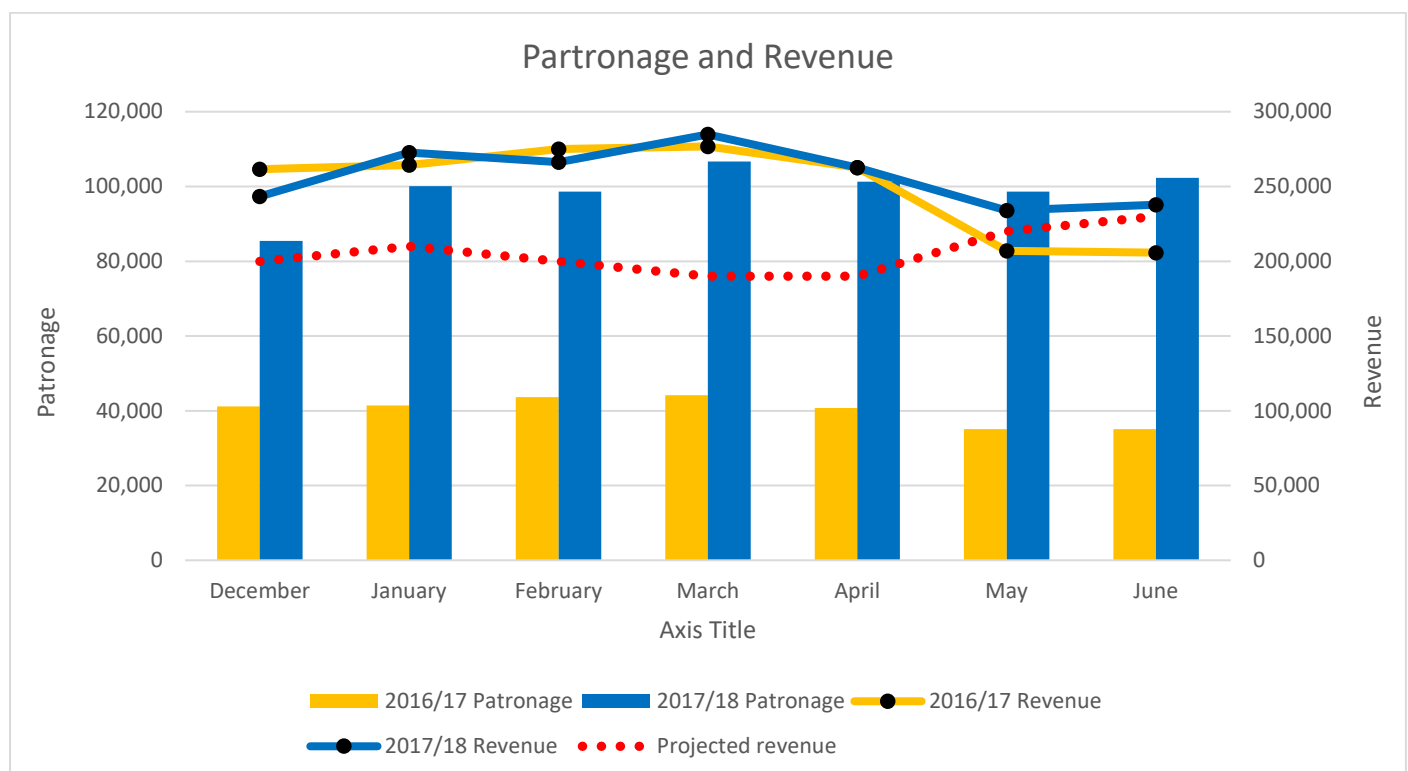
102,290

▲ 192% vs 2017

2018 Patronage to date

607,609

▲ 153% vs 2017



The graph above shows revenue and patronage for the 2017/2018 compared to the previous year 2016/2017.

Unit 6

- Fernhill – Remarkables Park
- Lake Hayes – Jacks Point

Unit 7

- Arthurs Point – Arrowtown
- Kelvin Heights – Frankton Flats

Unit 6 Revenue June 2018

\$188,057

Unit 6 Patronage

80,319

Unit 7 Revenue June 2018

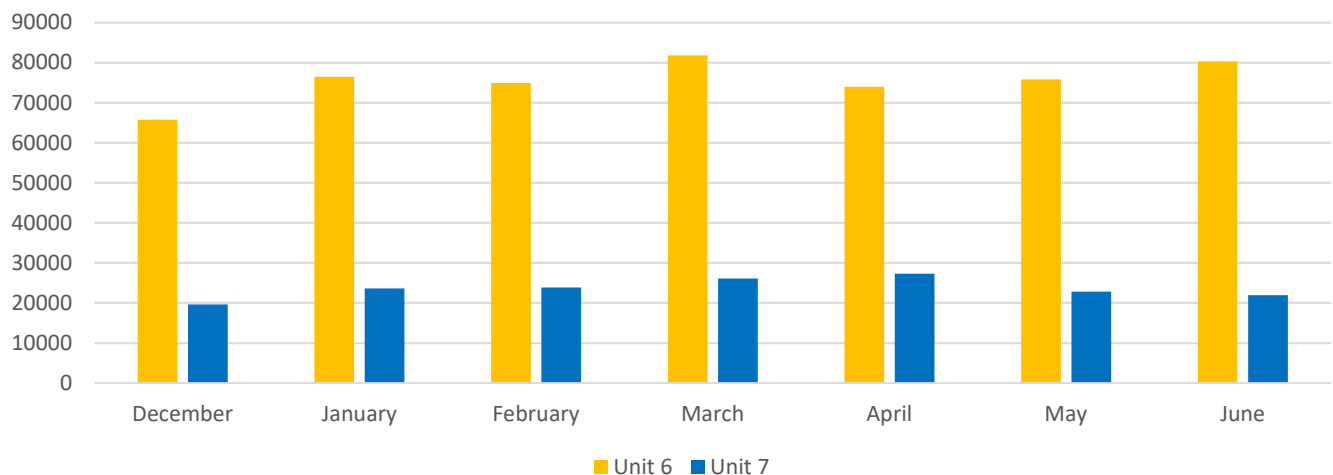
\$49,771

Unit 7 Patronage

21,971

Unit revenue and patronage for Queenstown continues track evenly with very slight increases and decreases since December. Unit 6 remains higher for both revenue and patronage with March and June peaking slightly for patronage.

Unit Patronage



Unit Revenue

