



Driving towards a sustainable future

Statement of Intent

For the year ended 30 June 2020

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Introduction

This Statement of Intent (Sol) is prepared by the Board of Directors of Red Bus Ltd (Red Bus) in accordance with Section 64(1) of the Local Government Act 2002. The Sol specifies for Red Bus the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives.

The Sol is a public and legally-required document, reviewed and agreed annually with its shareholder Christchurch City Holdings Ltd (CCHL) and covers a three-year period.

This Sol is covers the period from 1 July 2019 to 30 June 2022.

Contact details for both the Chair and Chief Executive at Red Bus's registered office are:

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Telephone No: +64 3 379 4260
Web site: www.redbus.co.nz
Email: redbus@redbus.co.nz

Red Bus Ltd is a council-controlled trading organisation (CCTO) for the purposes of the Local Government Act 2002.



Red Bus Partners

- Christchurch City Council
- Environment Canterbury
- Christchurch City Holdings Ltd and subsidiaries
- New Zealand Transport Agency (NZTA)
- Ministry of Transport (MOT)
- Ministry of Education (MOE)
- Ngāi Tahu and local hapu

Nature and scope of activities

Red Bus provides passenger transport services to the urban, school, tourism and charter markets around Canterbury and the South Island.

Red Bus is **100% locally-owned** by Christchurch City Holdings Limited, the investment arm of the Christchurch City Council.

Red Bus has moved people around Canterbury and the South Island for nearly 30 years. The company evolved from the Christchurch Transport Board following the deregulation of the transport industry in 1991.

In recent years Red Bus has expanded its business to offer private charter and tourism services through its *Red Travel* brand.



Our objectives

Red Bus is committed to

Driving towards a sustainable future

through our community, environment, people and financial initiatives.

Community

Red Bus is 100% owned by the people of Christchurch and proud to serve its owners daily.

We continue to work with our partners to develop and deliver innovations, technologies and services that reflect and serve the changing needs of Christchurch residents and the strategic priorities of the Christchurch City Council.

The council's strategic priorities are *"to meet our community's aspirations of a liveable city, with strong connected communities, a healthy environment and a prosperous economy"*.

Key objectives for our **Community** focus:

- Maintain strong **partnerships** with regional and local councils that encourage **investment in passenger transport services and infrastructure**
- Customer centricity – ensure a **high-quality customer experience** by consistently delivering on the promises outlined in The Public Transport Customer Charter to **encourage the use of public transport**
- Support the city's vision to deliver an **effective and reliable transport system** through **partnerships** with local and regional councils, local iwi, central government, the New Zealand Transport Agency (NZTA) and the wider CCHL group of organisations.

Environment

The majority of the transportation emissions are a result of road transport, with petrol use contributing 20.7% and diesel use 20.5% to Christchurch's gross emissions.

Christchurch City Council is committed to being net carbon-neutral by 2030 and Environment Canterbury is committed to have an emission-free public transport fleet by 2030.

Red Bus is pleased to support its partners' initiatives, and are honoured to introduce Christchurch's first fully electric urban bus service in mid-2019.

Key objectives for our **Environment** focus:

- Continue to investigate ways of **reducing our carbon footprint** including, but not limited to, transferring our vehicle fleet to **non-fossil fuel alternatives**
- Through the use of innovation and technology, **broaden travel options** to deliver safe, reliable and efficient services to **encourage the use of public transport**
- Provide options to our customers/partners that **better align to their needs**, including but not limited to, the size of our vehicles

- **Promote the benefits of public transport** to support public health improvements through **greater patronage**
- Meet the needs of today, without compromising the needs of future generations.

People

Red Bus is wholly committed to looking after its people. Red Bus places the health, safety and wellness of our team, our contractors, our customers and the wider community above all else.

Both Red Bus and Red Travel, our tourism coaching brand, are rated by the New Zealand Transport Agency (NZTA) with a 5-star operator safety rating. This rating is NZTA's highest level of certification for this category. Red Bus consistently leads Environment Canterbury's mystery shopper survey, undertaken monthly.

Key objectives for our **People** focus:

- Homesafe – ensure **“everybody safe, everybody home, every day”**
- Listen – proactively **engage with** and **seek feedback** from our team, our partners, our customers and the wider community. Use feedback to continually improve our service to encourage the use of public transport
- Recruit and Retain– ensure our team are supported to be the very best they can be, including effective training and fair wages.

Financial

Red Bus is a council-controlled trading organisation (CCTO), operating for the purpose of making a profit.

Key objectives for our **Financial** focus:

- Operate and grow a **successful business** to provide a **commercial return to our shareholder**, that reduces rate increases for the people of Christchurch.
- Use Red Bus assets to **maximise commercial value** and to support the Urban Development Strategy (UDS) and Regional Land Transport Plan (RLTP) land use and transport strategies, where appropriate.
- Continue to work with our partners to develop initiatives that **encourage investment in public transport**.

Performance targets

Financial

During the 2019/20 financial year Environment Canterbury will tender all existing Christchurch urban and school services contracts. These contracts currently form Red Bus's core revenue stream. The success of winning new/existing contracts in the tender round will impact the setting of financial performance targets for the company.

On this basis the financial performance targets for the company are as follows:

	2020 Forecast	2021 Forecast	2022 Forecast
	\$m	\$m	\$m
Revenue	\$21.2m	\$27.07m	\$31.3m
NPAT	\$.003m	\$1.1m	\$2.05m
EBITDA	\$2.5m	\$4.4m	\$5.5m
Return on Average Equity %	0%	3.1%	5.6%
Return on Average Total Assets %	0%	2.7%	4.8%
Dividends Proposed	\$0	\$0	\$0

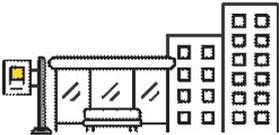
The forecast capital structure, ratio of shareholder funds to total assets for the next three years are:

%	2020 Forecast	2021 Forecast	2022 Forecast
Shareholder Funds/Total Assets	\$39.9m	\$41.8m	\$44.3m
Debt to Equity	<20%	<20%	<20%
Interest Cover x	X2	X2	X2

As above in 2020 the existing urban contracts are up for tender. The success of winning new contracts in the tender round will impact the make up of the capital structure.



Non-Financial

	Performance targets	Performance Measures
<p>Our Community Relationships and partnerships with the people who power us.</p> 	<ul style="list-style-type: none"> • Connect with community • Work with partners to increase patronage 	<ul style="list-style-type: none"> • Improve mystery shopper survey results by >5% on previous year • Create a mechanism to seek direct feedback from passengers • Increase % of seats filled on our buses (across the Red Bus brand)
<p>Our Environment Kaitiakitanga – how we will manage the impact on our environment</p> 	<ul style="list-style-type: none"> • Sustainability framework • Reduce carbon footprint 	<ul style="list-style-type: none"> • Implement sustainability framework • Obtain Enviro-mark certification • Implement electric bus service • Maintain >88% peak vehicle utilisation • Promote the use of public transport
<p>Our People Looking after our people</p> 	<ul style="list-style-type: none"> • Homesafe • Recruit and retain 	<ul style="list-style-type: none"> • Zero notifiable events • Develop a Recruit and retain programme

Key initiatives

Urban

Red Bus is working with its partners to create and deliver a public transport system that attracts customers and encourages them to use public transport more often.

We're doing this by:

- Service quality – listening and responding to our customers, to ensure we continue to provide an **excellent public transport experience**
- Using **technology, innovation and experience** – using our data to help understand where our services are needed and the form those services should take. We're sharing this knowledge with our partners to create a public transport system that **attracts customers**
- **Improving the environment by:**
 - Implementing our sustainability framework
 - Recycling used lubricants and components, when practical
 - Using our electric bus knowledge to develop a bus replacement policy, enabling us to move towards a zero emission fleet in a financially sustainable manner

- Continuing to develop or apply technology and operational solutions to reduce our carbon footprint
- Continuing to work with Environment Canterbury to trial innovative transport solutions.



Red Travel

CNN travel has recently named Christchurch as one of the top places to visit in 2019. Cruise visits will increase with the new berth being built in Lyttelton. Christchurch Airport's international arrivals grew by 8.5% in 2018, compared to the national average of 3.9%.

Red Travel, with its large modern coach fleet, is committed to customer safety and service. Strong operations and fleet management systems is the perfect combination to ensure visitors experience the best the region can offer.

To cater to the tourism market we will provide:

- Alternative transport offerings which target the needs of the changing tourism market e.g. Free Independent Travellers (FIT)
- Continue to review and consider new commercial routes that compliment our existing offerings.
- Links to additional offerings, from partners, to meet all tourists' experience requirements.



Charter

The purpose-built Christchurch convention and events centre known as 'Te Pae' opens in mid-2020. With the ability to use both its urban and Red Travel fleet, Red Bus' charter business can adapt to cater for the needs of big and small events.

We plan to increase our charter revenue stream by:

- Working closely with convention organisers to become the preferred supplier for the new facility, when it opens
- Sharing with schools our safety first experience and messaging
- Working with Christchurch City Council and ChristchurchNZ events teams to provide affordable transport options to key city events.



Governance

Role of the Board of Directors

The board is responsible for approving Red Bus's strategic direction, for overseeing the management of the company and for delivering its business strategy. The board's ultimate aim is to increase shareholder value, while ensuring the obligations of the company are met.

Red Bus directors comply with a formal code of ethics, which is consistent with the New Zealand Institute of Directors' Four Pillars of Governance and the Financial Market Authority (FMA) corporate governance principles and guidelines to ensure best practice governance.

The chair conducts an annual performance review with each director.

Responsibility to the Shareholder

Statement of Intent (Sol)

In accordance with section 64 of the Local Government Act 2002, the company submits a Sol for the coming financial year to the shareholder. The Sol sets out the company's overall objectives, intentions and financial and performance targets.

Board Composition

The directors of Red Bus Ltd are appointed by the shareholder Christchurch City Holdings Limited (CCHL). Board membership currently consists of five non-executive directors.

Board Committees

Audit and Risk Management Committee (ARMC)

Membership of the committee consists of two board members and the committee is regulated by approved terms of reference that address membership, functions and responsibilities, authorities and reporting procedures. The ARMC monitors risk management processes, oversees the findings of external auditors and monitors legislative compliance.

Health and Safety Committee (H&SC)

Membership of the committee consists of two board members and the committee is regulated by approved terms of reference that address membership, functions and responsibilities, authorities and reporting procedures. The H&SC monitors risk management processes, safety performance and legislative compliance.

Remuneration Committee

Membership of the committee consists of the board chair, who also chairs the committee, and one other director. The committee convenes at least annually to review the performance of the chief executive and make recommendations to the board on the chief executive's remuneration package. In considering the remuneration policy, the committee has regard to performance and comparable market rates, and equitable relativity across the company.

Other Committees

The board establishes other committees on an as-needed basis, to deal with issues as they arise.

Accounting policies

Red Bus Ltd has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the CCHL group. The detailed accounting policies are available in Red Bus' most recent annual report, as published on the company website:

www.redbus.co.nz/about-red-bus/

Investment policy

Red Bus assesses each investment proposal against the following key criteria:

- Degree of fit with the Strategic Plan
- Operational or financial benefits
- An acceptable rate of return
- Cultural fit of a business acquisition
- Health & safety implications
- Intellectual property retention
- Ability to leverage from, or create, a strategic benefit
- Asset condition acceptable or fit for purpose.

All investment projects in excess of the Chief Executive's delegated capital expenditure authority will be formally reviewed at board level at appropriate timing points and following completion.

Remuneration policy

Red Bus employee remuneration is:

- Based on the role performed and consistently classified with similar positions
- Linked to the performance of the individual in the role and their achievement of company objectives
- Determined by the characteristics of the position without gender or other discrimination
- Regularly benchmarked to account for market trends and company strategy
- Subject to an annual review.

Increases or performance payments for managers reporting to the Chief Executive are to be approved by the board.

Red Bus is conscious of its public responsibility in setting remuneration for senior executives. The process is closely managed by the board and made publicly available in the annual report.

Distributions

Red Bus Ltd will pay dividends to the shareholder after taking into account the company's financial position, profitability, working capital requirements and future investment requirements. The dividends payable to the shareholder will be determined by the board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

Information to be provided to shareholder

An annual report will be submitted to the shareholder. The annual report will include audited financial statements and sufficient commentary to provide an informed assessment of the company's performance and financial position during the reporting period for the shareholder.

Half-yearly reports will also be provided to the shareholder. These reports will contain unaudited information and comply with NZ IAS 34.

A quarterly report will be provided to shareholders which will include progress against financial and non financial performance targets.

The Statement of Intent will be submitted to the shareholder for consultation annually, as required by the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

The company will operate on a "no surprises" basis in respect of significant or material shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The company will provide information requested by the shareholders in accordance with the requirements of the Local Government Act 2002.

Acquisition/divestment procedures

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of Red Bus Ltd.

When the subscription, acquisition, or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with the shareholder.

Major transactions as defined in the Companies Act 1993, s129 (2), will be subject to shareholder approval by special resolution.

Notwithstanding the above, if Red Bus is considering a significant acquisition or disposal of assets or securities, the shareholder will be consulted with as much lead-time as is commercially practicable in the prevailing circumstances.

Where the company decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the company will ensure effective management. Board control of any subsidiary is exercised by Red Bus' directors and management.

Compensation sought from local authority

At the request of the shareholder, the company may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities.

Currently, no such activities are undertaken.

Estimate of commercial value of shareholder's investment

The board estimate that the commercial value of our shareholder's investment is at least that which is stated as shareholders' equity, in the audited financial statements.

The major assets of Red Bus are the vehicle fleet and the property at 120 Ferry Road.

Land, buildings and fleet were revalued at 30 June 2018 in a three year revaluation cycle. These revaluations confirm the carrying value in the financial statements of Red Bus are appropriate.

Role in the Christchurch City Council group and regional economy

Commercial relationships within the CCHL group

Recognising that there are potential synergies with the CCHL group, Red Bus will liaise with other CCHL companies across the group, as appropriate seeking material and worthwhile joint initiatives, including knowledge sharing and exploring local or all of government procurement opportunities within a successful business framework.

Role in the growth of the regional economy

The contributions by Red Bus to the Canterbury economy are:

- Major local employer (of more than 260 employees)
- Local supplier payments for plant and equipment, consumables and other services
- Increasing the value of CCHL's investment in Red Bus
- 'Recycling' a portion of the various taxes paid by Red Bus, back into the Canterbury economy
- Environmental leadership through its innovative technology applications, service delivery and vehicle improvements. Red Bus' objectives include a lower carbon footprint, improved air quality and reduced energy consumption
- Delivering an attractive, efficient urban passenger transport service in collaboration with partners
- Providing a safe, friendly and reliable transport experience for Christchurch residents

- Delivering public transport service improvements and programmes to encourage the use of public transport
- Showcasing Christchurch City and the region by crafting memorable experiences for visiting tour groups, free independent travellers and residents.