



Statement of Intent

For the year ended 30 June 2021



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Introduction

This Statement of Intent (Sol) is prepared by 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 covers the period from 1 July 2020 to 30 June 2023.

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

Important Note for reading of this Sol

During the 2019/20 financial year Environment Canterbury tendered all existing Christchurch urban and school services contracts. Ahead of this tender, Red Bus successfully negotiated a long term and profitable contract for Unit 3 with ECan, This represents 20% of ECan's urban network.

Unfortunately in the tender round itself, Red Bus was not successful in its bid for any of the remaining three ECan urban Units or the two School Units. For the purposes of this Sol, it is assumed that the company is downsized to deliver the negotiated Unit 3 contract on an ongoing basis. All subsequent wording and projections are on this basis.



Nature and scope of activities

Red Bus provides passenger transport services to the urban and school markets in and around Christchurch

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.

Our objectives

Red Bus is committed to

Driving towards a sustainable future

through our community, environment, people and financial initiatives.

Kaitiakitanga

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 **Kaitiakitanga** focus:

- Maintain strong **partnerships** with Environment Canterbury 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 Regional Public Transport Plan 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.

Mana

Red Bus demonstrates leadership in our core employment, operational, environmental and safe work philosophies.

Key objectives

- Remunerate our people at a **fair and liveable level for wages and salaries**.
- Maintain the Christchurch **industry standard for customer service** and on time performance
- Introduce **new technologies and methodologies** that address climate change, and use of resources
- Homesafe – ensure **"everybody safe, everybody home, every day"**
- "Kiwi English" courses through Literacy Aotearoa for our new New Zealand drivers and our operations team, particularly focusing on RT etiquette.

Sustainability

The majority of the transportation sector emissions are a result of road transport, with petrol and diesel contributing 20.7% and 20.5% respectively 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 launched Christchurch's first fully electric urban bus service on 1 July 2019.

Key objectives for our **Sustainability** 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.
- Reduce water consumption, waste and rework within business operations.
- In association with ExxonMobil, trialling of Mobil Diesel Efficient to reduce harmful emissions from diesel vehicles.

People

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

Red Bus consistently leads Environment Canterbury's mystery shopper monthly survey.

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.
- Assist new New Zealanders to assimilate into our community through fully funded literacy programmes aimed at Public Transport.

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

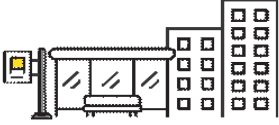


The financial performance targets for the company are as follows:

	2021 Forecast	2022 Forecast	2023 Forecast
	\$M	\$M	\$M
Revenue	\$16.56m	\$14.65m	\$14.94m
NPAT	\$0.77m	\$1.03m	\$1.07m
EBITDA	\$2.70m	\$2.83m	\$2.89m
Return on Average Equity %	2.4%	3.2%	3.2%
Return on Average Total Assets %	2.3%	3.0%	3.0%
Dividends Proposed	\$0	\$0	\$0

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

	2021 Forecast	2022 Forecast	2023 Forecast
Shareholder Funds	\$32.11m	\$33.14m	\$34.21m
Debt to Equity (D/(D+E))	4.3%	4.2%	4.1%
Interest Cover x	N/A	N/A	N/A

Non-Financial Targets

	Performance targets	Performance Measures
Our Mana Relationships and partnerships with the people who power us. 	<ul style="list-style-type: none"> Connect with community Work with partners to increase patronage 	<ul style="list-style-type: none"> Work co-operatively with ECan to develop the contractual business plan for Unit 3 to support and drive use of public transport
Our Sustainability Our role as leader in social responsibility	<ul style="list-style-type: none"> Address impact of climate change Business for Good 	<ul style="list-style-type: none"> Encourage bus patronage on all our routes Support literacy courses for our new New Zealander staff with focus on public transport
Our Kaitiakitanga Kaitiakitanga – how we will manage the impact on our environment 	<ul style="list-style-type: none"> Sustainability framework Reduce carbon footprint 	<ul style="list-style-type: none"> Establish and maintain sustainability framework Make Toitu certification practices a focus of business. Encourage electric bus patronage on 29 route – increase pax by 5% pa
Our People Looking after our people 	<ul style="list-style-type: none"> Homesafe Care for staff with impending route changes Provide assistance to staff as business decisions made 	<ul style="list-style-type: none"> Zero notifiable events Work to assist a smooth transition for staff with the route changes in November and December 2020 Develop an appropriate transition plan for all staff with other ChCh operators as possible. Fully support EAP

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 for our negotiated unit.
 - 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.

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 to ensure best practice governance.

Responsibility to the Shareholder

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 three 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 Governance

Health and safety is an agenda item at each Board meeting. In addition to normal reporting, on a quarterly basis the Board has a separate session focussed purely on health and safety matters at Red Bus.

Other Committees

The board can establish 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's 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
- 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.

Six monthly Strategic Performance reports will also be provided to the shareholder. These reports will contain unaudited information and comply with NZ IAS 34.

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's 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.

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:

- Significant local employer Local supplier payments for plant and equipment, consumables and other services
- Seeking to increase 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's objectives include a lower carbon footprint, improved air quality, reduced waste and 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 by delivering positive customer experiences for visitors, free independent travellers and residents.