

Christchurch City Council
ATTACHMENTS UNDER SEPARATE COVER

Date: Thursday 8 December 2016
Time: 10am
Venue: Council Chambers, Civic Offices,
53 Hereford Street, Christchurch

TABLE OF CONTENTS

PAGE

28	Letter of Shareholder Expectations to Christchurch City Holdings Ltd	
	A. Draft Letter of Expectations	3

8 December 2016

Bruce Irvine
Chairperson
Christchurch City Holdings Limited
P O Box 73049
CHRISTCHURCH 8154

Letter of Expectations for the 2017/18 Financial Year

Dear Bruce

As you know we are beginning a new process this year which is to begin conversations with CCHL via a Letter of Expectations.

This letter sets out the Council's expectations, as shareholder, for the CCHL group of companies for the forthcoming year. We would expect these to be considered by the Board and where appropriate for them to be incorporated into CCHL's Statement of Intent for 2017/18. As this is our first time we would also welcome feedback on how this process could be improved to the benefit of us both.

The Council's key objective for CCHL is to optimise the returns to shareholders and align with the Council's community outcomes. Over the course of the year the Council would like to engage with the board to discuss these objectives.

The timetable for completion of the Statement of Intent can be found in **Attachment 1** to this letter.

Council's priorities

The Council's key priority for CCHL is to be provided with the level of dividends (both capital and ordinary) in line with our financial strategy. We are aware of the work CCHL is doing to make this happen, and acknowledge your responsiveness in attending to this request.

Strategic issues

In particular, we would appreciate your keeping the Council informed of any issues arising for the group from the Kaikoura earthquakes.

Draft Statement of Intent

There are a number of process timeframes which are important to Council and we would appreciate if the draft SOI for CCHL could be provided to the Council for shareholder comment by 1 March 2017. It would be useful if the draft SOIs for the CCHL subsidiaries could be provided to Council for comment as soon as possible after 1 March 2017 to allow these to be considered at the same time as the CCHL draft SOI.

Shareholder returns and dividend policy

Over time, the Council anticipates receiving an appropriate rate of return on equity. We acknowledge that some of the entities are not owned wholly for commercial gain, and that it is not a straight forward matter to determine the optimal mix of commercial and community benefits. It would be of benefit to consider outlining where these trade-offs are occurring so that they can be managed and quantified explicitly.

We would like you to continue to look for opportunities to improve and grow the group's long term profitability. We also understand that a number of the companies in the group are still managing the recovery to their businesses caused by the 2010/11 Canterbury earthquakes, and that the Kaikoura earthquake may give rise to further unplanned changes.

Civic Offices, 53 Hereford Street, Christchurch, 8011
PO Box 73010, Christchurch, 8154
www.ccc.govt.nz

We request that you continue to review both CCHL's and its subsidiaries' dividend policies to ensure the sustained maximisation of dividend returns.

'No surprises' policy

The Council's expectations under the 'No Surprises' policy remains a cornerstone of our relationship. Where possible Council would appreciate as much notice as possible of any issues that may have either a material financial impact on the Council, potentially adverse implications on the Council's reputation or that may give rise to media inquiry even if these are considered minor.

Health and Safety at Work Act 2015

The Council expects that all Statements of Intent will contain information about how CCHL and the group companies are meeting their obligations under the Act and should include specific performance targets to measure this.

Remuneration

We expect CCHL and the boards and management of the CCHL group to show restraint with the level of senior executive total remuneration.

Investments

We expect that you will keep us updated on the progress and performance of the capital investment programmes being undertaken within the group.

Programme of investment reviews

In view of the fact that investments undertaken by the CCHL group represent an opportunity cost to the Council in the form of forgone dividends, we request that your quarterly performance reports include the outcomes of any post investment reviews that you have undertaken.

Environmental sustainability

Environmental sustainability is a key issue for Council. In order to achieve the Council's objectives there is an expectation that all its group companies will operate their businesses with a view to environmental sustainability. We note that in the past year CCHL's group has undertaken a number of initiatives such as the electric cars owned by Orion and the charging stations it has made available to the public. We would like CCHL and the CCHL group to continue to show environmental leadership to the community where it is commercially prudent.

Innovation

The Council considers that innovation is critical to the successful regeneration of Christchurch's business activity and ensuring economic growth of the region. We encourage you to consider how you can harness innovative practices to add value to your holdings over the long run.

Community focus

The Council expects that all the group companies will connect with their local communities to keep them abreast of developments and progress.

Assistance

From time to time there will be issues or problems which the management and boards of group companies will be dealing with where Council can provide assistance, including discussions with Government ministers and agencies. We reiterate that we are happy to provide such assistance whether at a staff or Mayor/Councillor level.

Specific subsidiary comments

In relation to CCHL's subsidiaries the Council would like your Letter of Expectations to include the following specific comments and requests.

Lyttelton Port Company Limited

We reconfirm that a cruise ship berth at the port remains a key Council priority.

Council are pleased with the impact to date that the MidlandPort has had on the reduction of trucking movements to and from the port and would like to see these continue to be minimised. We encourage

LPC to report the environmental impact of the reduction as a performance target i.e. the number of trucks removed from roads.

Enable Services Limited

Council expects Enable to co-ordinate its network installation with other infrastructure companies including Council, to minimise the disruption to communities during the installation phase.

Red Bus Limited

The Council appreciates the results which Red Bus have achieved to date with the introduction of the smaller buses to the fleet and public transport network. We would like Red Bus to continue to be innovative and look for opportunities to enable the city to have more appropriate public transport.

EcoCentral Limited

The Council would like EcoCentral to continue to partner with us on the implementation of initiatives to minimise waste.

Council's strategic direction

The Council is considering its strategic directions for its forthcoming three year term, and in particular we are considering the goals and objectives for the city as it starts to re-emerge from the aftermath of the 2010/11 earthquakes and their consequences. The next phase of regeneration for the city will bring with it opportunities for it to grow and re-balance as a vibrant, dynamic and sustainable city for the future. We expect that all Council service and activity providers, including its CCOs will want to consider what these strategic goals and objectives mean for them, and how they can best assist the Council in achieving them. The work to confirm the strategic directions, objectives and goals is likely to be completed shortly and Council staff will advise you of them as soon as that happens.

Shareholder reporting

Throughout this letter we have made requests for additional reporting on various matters.

We acknowledge the increased level of reporting which CCHL has provided in the last year and we request that this continues. We will continue to work with CCHL management to refine the information required.

As is usual practice we will discuss and agree reporting deadlines for the 2017 calendar year with your management team.

We look forward to receiving your draft SOI on or before 1 March 2017. The draft SOI for the CCHL subsidiaries should be provided to Council for comment as soon as possible after 1 March 2017 to allow these to be considered at the same time as the CCHL draft SOI and so feedback can be provided by 1 May 2017.

Our staff would be pleased to discuss any of the above matters with you as required. In the meantime we would like to take this opportunity to thank you and your board and management for your very important contribution to the Council group over the last year.

Yours sincerely

Dr Karleen Edwards
Chief Executive

Attachment 1

Timetable for finalising Statements of Intent 1 July 2017 – 30 June 2020

Letter of Expectation approved	8 December 2016
First draft of the CCHL Statement of Intent to be submitted to Council	By 1 March 2017
Comments back from Council on draft	By 1 May 2017
Final SOI submitted to Council	By 30 June 2017