

POSITIVELY

Wellington

WATERFRONT

Wellington Waterfront Ltd

File No: M-WCC-125

8 February 2011

Mayor Wade-Brown
Wellington City Council
PO Box 2199
Wellington 6140

Dear Mayor Wade-Brown

In October 2010, the Wellington Waterfront Limited (WWL) Board of Directors asked the Council to undertake a review of WWL's operations and to provide advice and a recommendation for the most appropriate delivery mechanism for the future development of one of Wellington's premier public spaces, the waterfront.

The review was initiated by the Board in response to the general on-going economic climate and in particular the impact of prevailing economic conditions on a number of WWL's development project opportunities. In short, the Board was highlighting its increasing uncertainty about the Company's projected revenue streams. In the spirit of our 'no surprises' commitment to Council, the Board deemed it appropriate for the Council to review how best it should deliver on the Wellington Waterfront Framework.

In response to our request, Council commissioned Karen Wallace to complete the review. Karen's appointment was well received by the Board, due to Karen's thorough understanding of the waterfront development gained over many years as a Council employee. In addition, her role as external consultant was regarded as bringing a high level of necessary independence to the process.

Karen has now completed the review of the waterfront operation. Her investigations have considered the forward work plan, risk analysis, financial projections, merits of alternative governance arrangements (which includes reference to international best practice) and extensive consultation with both Council and WWL employees. The Board has now had the opportunity to review and discuss the draft report which we have found to be both comprehensive and robust. The Board fully endorses the findings of the report.

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The Board was particularly persuaded by reference to the key criteria adopted in the review process. In particular:

1. Transparency and Control
 - The external model provides greater transparency to both Council and the public than a WCC business unit, while remaining fully accountable to Council. The Board is concerned that this transparency, especially for the public, is at considerable risk should the management be undertaken by one or more internal council departments.

2. Flexibility
 - The existing model benefits from strong leadership and the independent commercial view that the Board provides to Council.

 - The Company has shown itself capable of gearing its resources both up and down depending on the external environment.

3. Risk/Fit for Purpose
 - A single purpose vehicle provides a high degree of focus that is critical to the overall success of the project, particularly in achieving the required revenue streams.

 - Continuity of existing staff, all of whom have an extensive understanding of the waterfront, has considerably less risk under a status quo arrangement.

 - Perception by the property development and investment community, who provide the capital required to restore our heritage buildings and build new buildings, that the Waterfront Company management model greatly enhances the ability to deliver the projects necessary to fund public space transformation.

The Board wishes to emphasise that whatever model is ultimately adopted, the risk around the delivery of the development of several key sites and subsequently the revenue streams for the Waterfront Project remains. Wellington has not been immune from the on-going effects of the Global Financial Crisis. The focus and experience of the Waterfront Company does provide the best opportunity to succeed however not withstanding these risks whichever management model is ultimately determined there is a significant amount of on-going work required to manage the existing infrastructure, property and planning processes in a focussed manner.

A specific recommendation to review the Company at no more than three yearly intervals has been included in the report. The energy required on an on-going basis to continually justify the Company's existence, especially in light of its extremely high delivery record, is becoming ever more difficult to manage and places our staff in a position that is destabilising and both unreasonable and unfair. We believe the

Company and its staff can rightly expect steps to be put in place by Council to mitigate the need for all too regular and costly reviews.

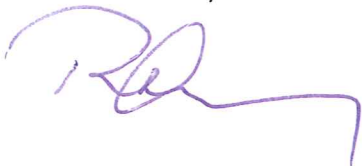
The Wellington Waterfront is both nationally and internationally acclaimed. It has award winning buildings and open space areas that deliver a unique experience for the people of Wellington and our visitors. This has been delivered through a process of vigorous public scrutiny and debate, careful planning and highly professional management. The controversy and debate over our waterfront, whilst uncomfortable for us all at times is an essential ingredient to its success. This has been delivered through a management model that has, over many years, demonstrated that it works well for Wellington City.

Ultimately Wellington Waterfront Limited is a management company under the control of the council, the Waterfront Project is owned by Council and Councillors have, certainly since completion of the framework, determined whether or not projects are to proceed. With the review highlighting very little financial benefit in moving it back into the Council, the question that must be addressed is "What is gained by moving the company operations back into Council given the downside risks of doing so?"

Overall, the Board believes that the review has delivered a compelling series of recommendations that have been arrived at after careful and thorough consideration. The Board fully supports the findings of this review and looks forward to them being accepted by Council.

It would be appreciated if a copy of this letter could be distributed to all Councillors.

Yours sincerely



Robert Gray
Chairman
Wellington Waterfront Limited

cc: Garry Poole - CEO Wellington City Council