

WELLINGTON CABLE CAR LIMITED

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16 May 2007

REPORT TO THE MONITORING SUBCOMITTEE FOR THE THIRD QUARTER OF 2006/07

FINANCE

Cable Car & Trolleybus System Income

Cable Car fare income is 4.8% above budget and 26.3% ahead of the same quarter in 2005/06. For the nine months the income was 2.2% below budget and 10.7% above the same nine month period in 2005/06. The planned fare increases were delayed by approximately one month as a consequence of problems delaying the implementation of the ticketing and access gates in the new terminal.

The monthly GWRC contract payments to cover the cost of inspection, maintenance, and repairs of the trolleybus overhead system have been received. The payments have been based on a budget agreed with GWRC which allows the acceleration of equipment replacements to address urgent and deferred maintenance. The overhead income for the quarter is 22.5% below budget, and for the nine months to 31 March 2007 is 11.2% below budget due to timing issues.

Income from Miscellaneous work

Pole and trolley bus overhead project income continues to be well above the budget for the quarter and for the nine months to 31 March 2006. This results from unplanned work on the overhead system resulting from third party activities including those initiated by Council.

EXPENSES

Cable Car Operation

Expenditure on the passenger service operation for the quarter is 16.5% above budget and for the nine months are 7.8% above budget.

Cable Car Maintenance and Miscellaneous

The expenditure on Cable Car maintenance and other miscellaneous expenses are 4.4% over budget for the third quarter and 15.6% over budget for the nine month period due to major maintenance work on the Salamanca Bridge being delayed into the 2006/07 financial year due to inclement weather.

Trolleybus Overhead System and Pole Work

The overall expenditure on the trolleybus overhead system for the third quarter is 18.1% below budget and the 15.5% below budget for the nine month period. The pole replacements identified in the schedule of critical and urgent maintenance are being completed as planned.

Administration and Loan Interest

The various administration charges are 24.6% above budget for the third quarter and 15.6% above budget for the nine month period due to costs incurred in the establishment of “in-house” staffing, which have been offset by savings gained by the expiry of the operating contract. Interest income is higher than planned due to cash-flows on the Lambton Terminal Project being lower than expected.

The depreciation is above budget due to the impacts and timing of the Lambton project.

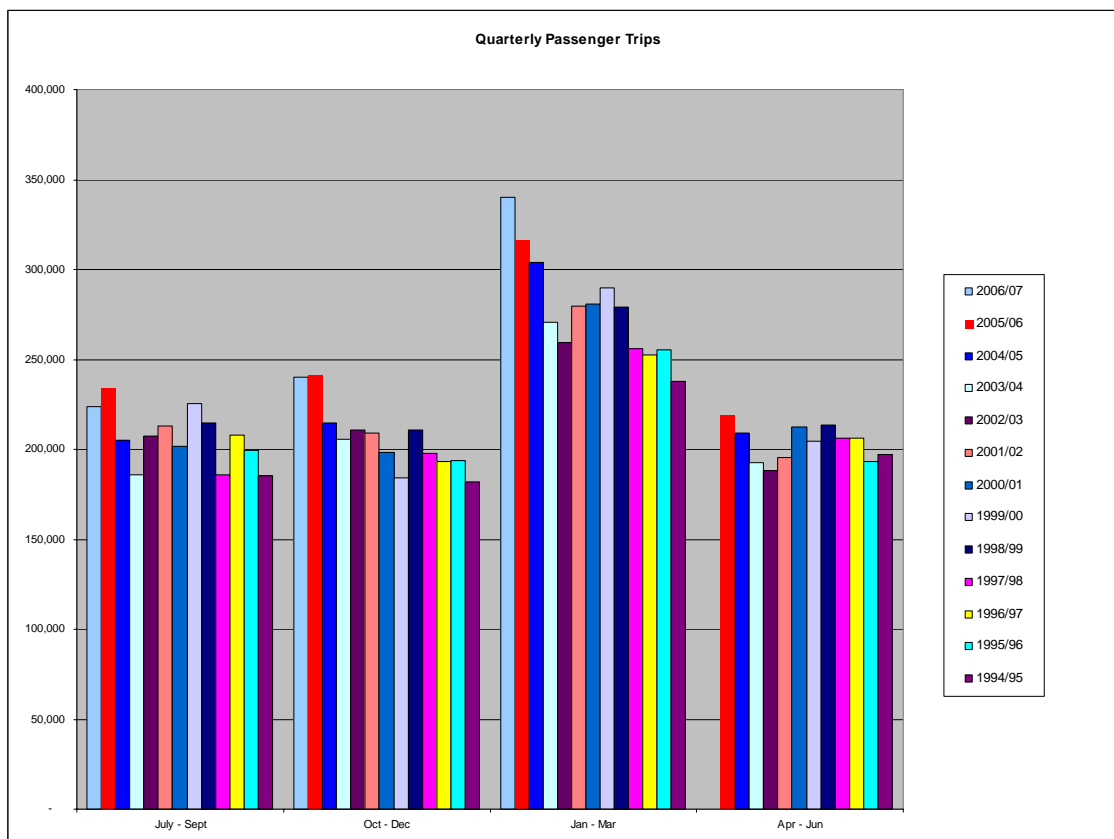
Income and Expenditure Overview 2006/07

The operating surplus for the third quarter is \$155,747 which is 0.9% below budget. For the nine months period 31 March 2007, the surplus is \$161,992 compared with a budget of \$179,989 and \$372,000 for the same period in 2005/06. The forecast surplus at the end of the financial year is now \$123,490 against a budget of \$172,671. This is primarily due to the Salamanca Bridge costs being incurred in the 2006/07 year and the delay in introducing the cable car fare increases.

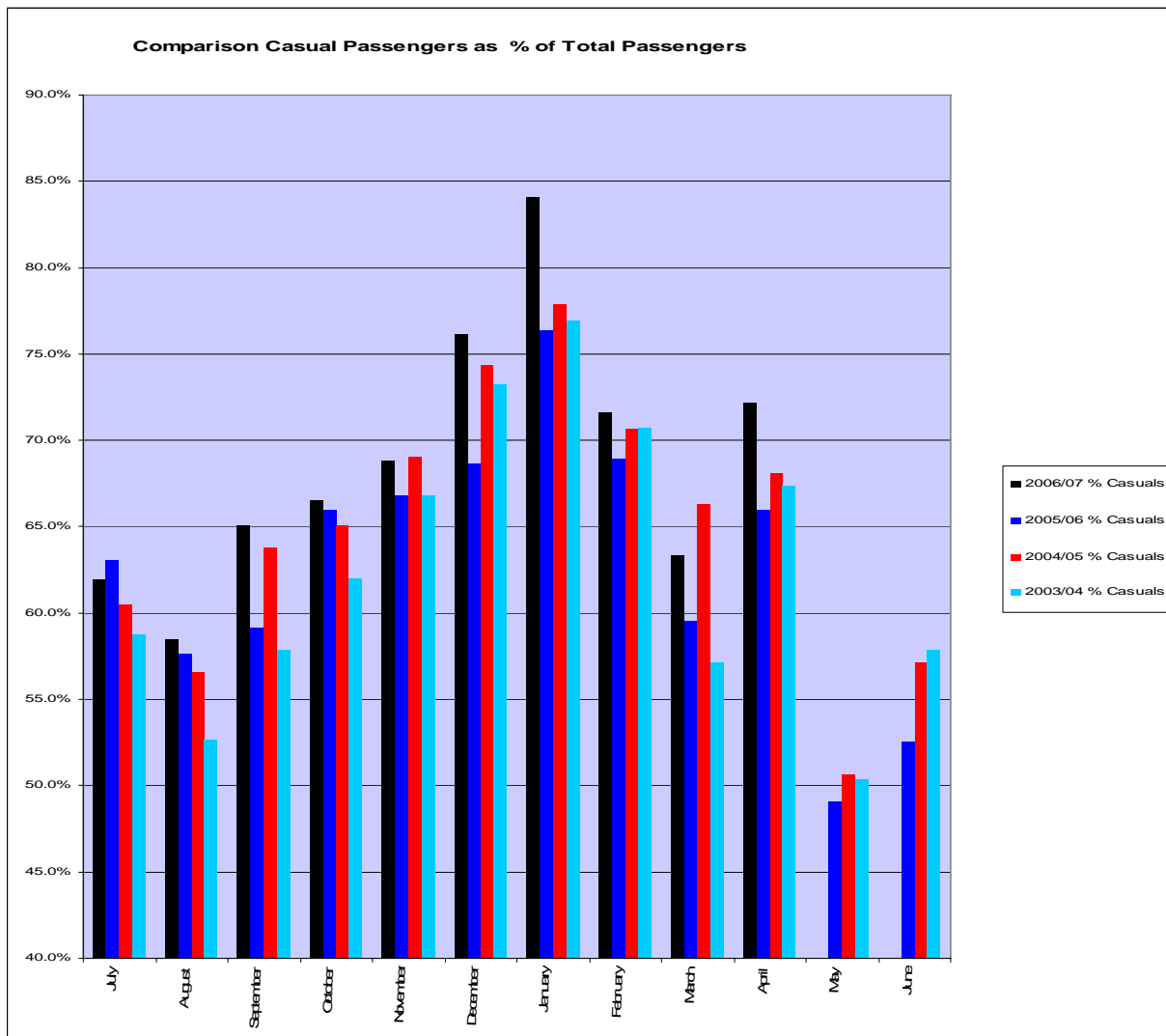
No interim dividend has been proposed to date.

Passenger Numbers

The actual passenger numbers for the third quarter were 339,864 against an estimate of 316,401, i.e. 7.4% above budget and the same period in 2005/06. For the nine months period the actual figures were 803,764 against budget of 791,880 i.e. 1.5% above budget and the same period in 2005/06.



The following graph indicates that the volume of casual passengers (an approximation to visitors) is a very high proportion of the total particularly in the summer months.



GENERAL

Cable Car Operating Contract

The out-sourcing contract with Transfield expired on 31 March 2007 and staff were temporarily recruited into an “in-house” operation until the 31 July 2007 to allow the operation to continue while the development of training and HR systems, the appointment of a new Passenger Services Manager and permanent staff takes place. (Since the preparation of this report Mathew Hardy has been appointed to the manager’s position) and customer services training courses have been developed and scheduled for the permanent staff when they are recruited.)

Cable Car maintenance

The cable car system has had reliability in excess of 99.9%.

Lambton Terminal Upgrade

Work on the refurbishment of the Lambton terminal is largely completed and teething problems with the access gates and ticketing systems are close to being resolved.

Trolley Bus Overhead

The overhead maintenance contract remains in an expired condition and was not rolled over because of the inability to reach agreement with the contractor. The service is being undertaken on implied terms. There are performance issues related to the quality and number of the inspections being carried out by the contractor. WCCL is trying to get improved performance but the contractor has resourcing issues. However, the urgent and critical pole replacements are being carried out by other contractors. The replacement of around 120 poles compared with around 12 in previous years is continuing to plan. Planning is underway to tender out the maintenance contract.

WCCL was unwilling to roll-over the contract with the GWRC because of GWRC's unwillingness to agree develop appropriate commercial arrangements. A budget was agreed to deal with urgent and critical maintenance. WCCL is carrying out the work and is being paid by GWRC on the basis of an informal contract.

Trolley Bus Overhead future

An agreement for the sale of the overhead network to the GWRC is at an advanced stage with only the value of stock to be negotiated. However, the process is now on hold while WCC finalises its strategy related to ownership and the possible installation of Internet Broadband utilising the trolley bus overhead poles.

The lack of finality in this regard and the associated uncertainty make specific planning for the future difficult.

Roger Drummond

CHAIRMAN OF THE BOARD OF DIRECTORS