

WELLINGTON CABLE CAR LIMITED

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14 March 2007

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

FINANCE

Cable Car & Trolleybus System Income

Cable Car fare income is 10% below budget and 4% ahead of the same quarter in 2005/06. For the six months the income was 7.5% below budget and at the same actual level as the same six 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 payment to cover the cost of inspection, maintenance, and repairs of the trolleybus overhead system has 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

Income from Miscellaneous work

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

EXPENSES

Cable Car Operation

Overall expenditure on the passenger service operation for the three month period is 12.4% and 21.2% above budget due to additional costs incurred to allow the operation to continue during the Lambton Refurbishment and overspending on maintenance.

Cable Car Maintenance and Miscellaneous

The expenditure on Cable Car maintenance and other miscellaneous expenses are over budget for the second quarter and the six 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 for the second quarter is 8% above budget and 14% below budget for the six month period on the trolleybus overhead system is due to timing issues. 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 in line with budget for the second quarter and the six month period. 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.

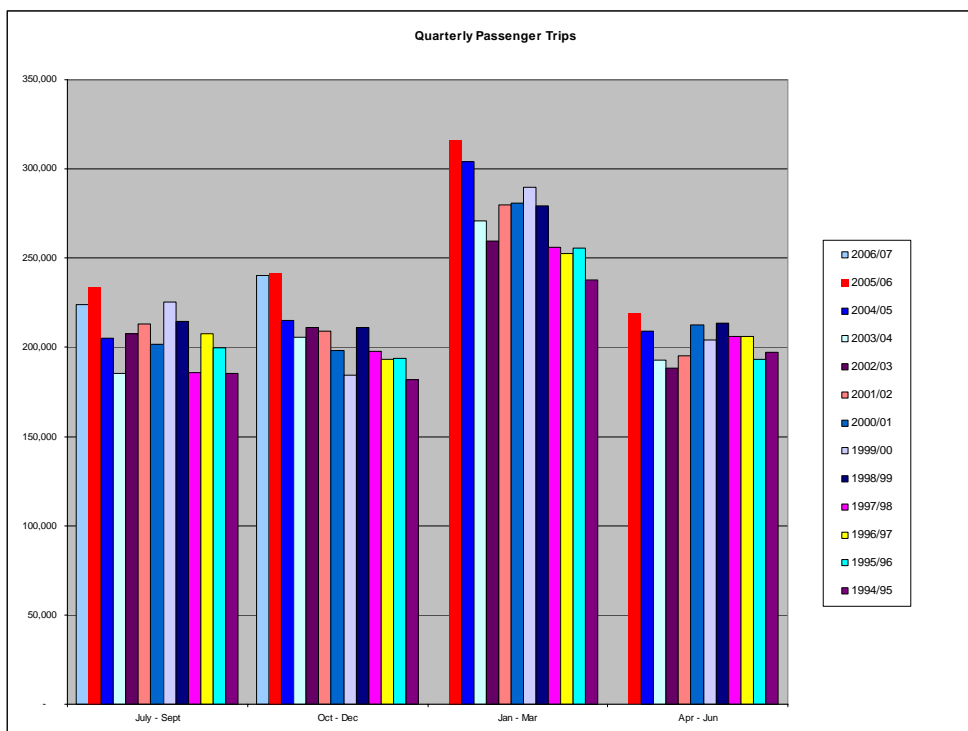
Income and Expenditure Overview 2006/07

The operating surplus for the December quarter is \$72,555 compared with a budget of \$62,402 and 74,010 for the same period in 2005/065. For the six months period 31 December 2006, the surplus is \$6,245 compared with \$164,920 for the previous year. The forecasted surplus at the end of the financial year is now \$81,000 against a budget of \$173,000. This primarily due to the Salamanca Bridge costs being incurred in the 2006/07 year and the delay in introducing the cable car fare increases.

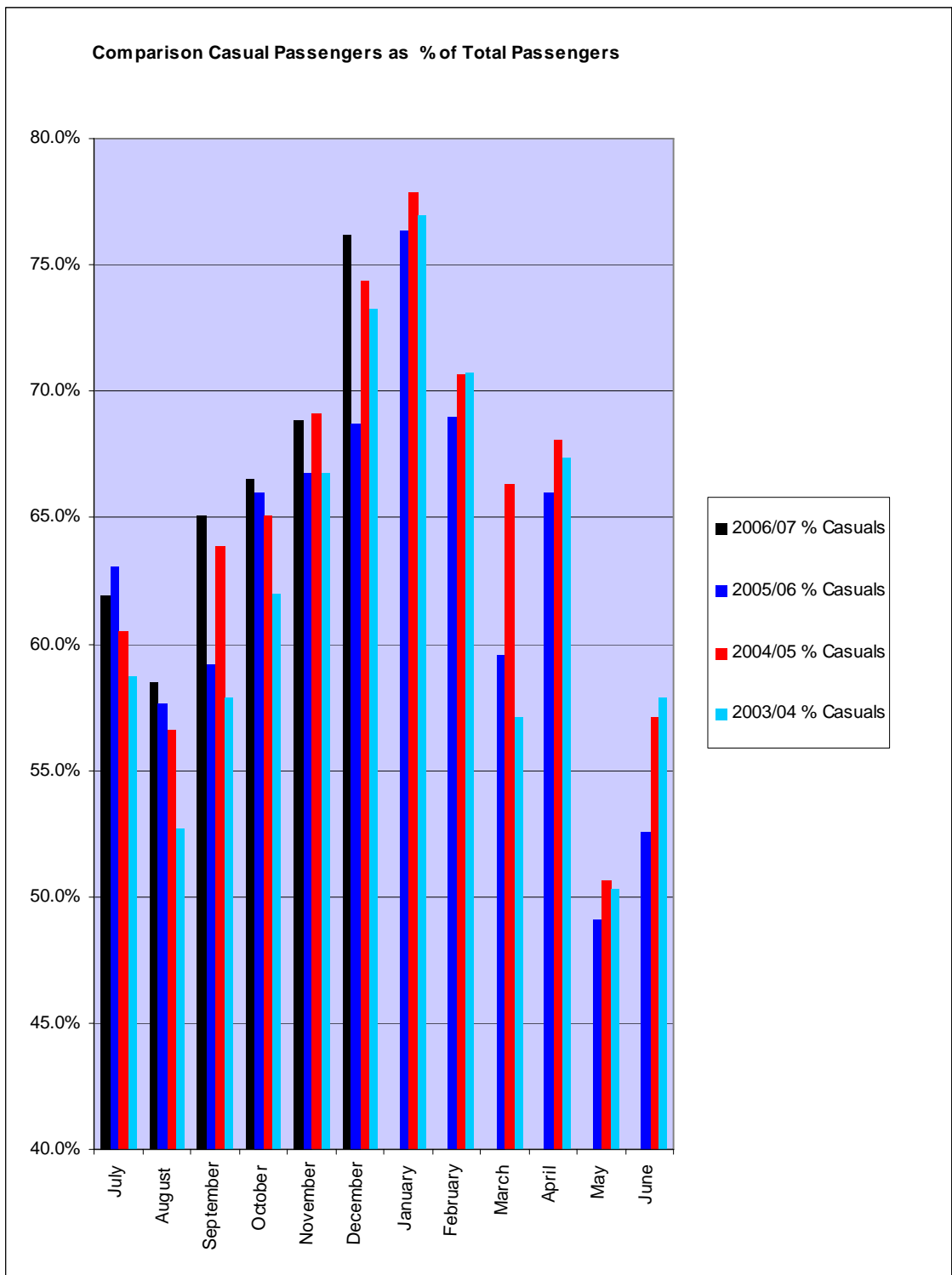
No interim dividend has been proposed to date.

Passenger Numbers

The actual passenger numbers for the second quarter were 240,192 against an estimate of 241,497. The October and November months were 11% and 2.5% respectively below budget due to appalling weather conditions. The December month was 9.9% of budget. The monthly values varied in the same range compared with the same months in 2005/06. For the six months period the actual figures were 463,900 2.4% against budget of 475,479 and the 2005/06 figures.



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



GENERAL

Cable Car Operating Contract

The contract was due to expire 31 December 2006, and was rolled over until 31 March 2007 to avoid potential disruption during the Lambton Project construction work. WCCL is considering taking the operation in house to allow better control of staff and customer service issues.

Cable Car maintenance

The annual survey was carried out successfully in October with the system being returned to service ahead of time. The cable car system has had reliability in excess of 99.9% taking into account reduced hours to allow construction work to take place.

Major maintenance on the Salamanca Bridge was carried out with the checking and replacement of holding down bolts, metal treatment and painting.

Lambton Terminal Upgrade

Work on the refurbishment of the Lambton terminal is at an advanced stage.

Trolley Bus Overhead

The overhead maintenance contract is expired and was not rolled over because of the inability to reach agreement with the contractor. The service is being undertaken on inferred 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 doing the installations. It is planned to replace 120 poles compared with around 12 in previous years.

WCCL was unwilling to roller 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 inferred 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 appears to have stalled while GWRC negotiates its contract with Stagecoach for the supply of buses. GWRC have been unable to advise WCCL whether GWRC requires WCCL's future involvement in the management of the trolley bus network.

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

Roger Drummond

CHAIRMAN OF THE BOARD OF DIRECTORS