

# WELLINGTON CABLE CAR LIMITED

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11 November 2008

## REPORT TO THE MONITORING SUBCOMITTEE FOR THE FIRST QUARTER OF 2008/09

### FINANCE

The overall financial structure of the company will change now that the overhead asset revaluation has been completed and when the funding agreement with Greater Wellington regional Council is finalised. Significant parts of the overhead maintenance involve replacements of major components and these will be designated as capital works. The accounting treatment of the GWRC funding, capital works, tax and depreciation is currently being investigated. A revised business plan will be provided and for subsequent quarters reporting will be against it. For this quarter, the trolley bus overhead network expenditure is still being treated as an expense.

#### **Cable Car & Trolleybus System Income**

Cable Car fare income is 5.2% above budget and 9.2% ahead of the same quarter in 2007/08.

The trolley bus overhead network income was 15.1% above budget due to GWRC making payments for maintenance contract payments in advance of WCCL's requests for payment. In general GWRC's payments are in line with WCCL's overhead expenditure; the timing of the payments will be the subject of the funding agreement and will need to be carefully handled to prevent cash-flow problems for WCCL.

#### **Income from Miscellaneous work**

Income from pole project work is 19% below budget this quarter due to timing issues; however the budget for the year is expected to be exceeded because of the amount of work already completed or in the planning stages. This income results from unplanned work on the overhead system resulting from third party requests and includes Council initiated activities. The pole user charges are below budget pending resolution of an agreement with Vector in particular. However, a new source of revenue has emerged through administrative on-charges placed on WCCL's maintenance contractor's charges for high load escort services. These amount to \$21K and were not budgeted for.

Overall the miscellaneous work and external contracts resulted in a surplus of \$54.4K against a budget of \$32.4K.

The various administration charges overall were close to budget.

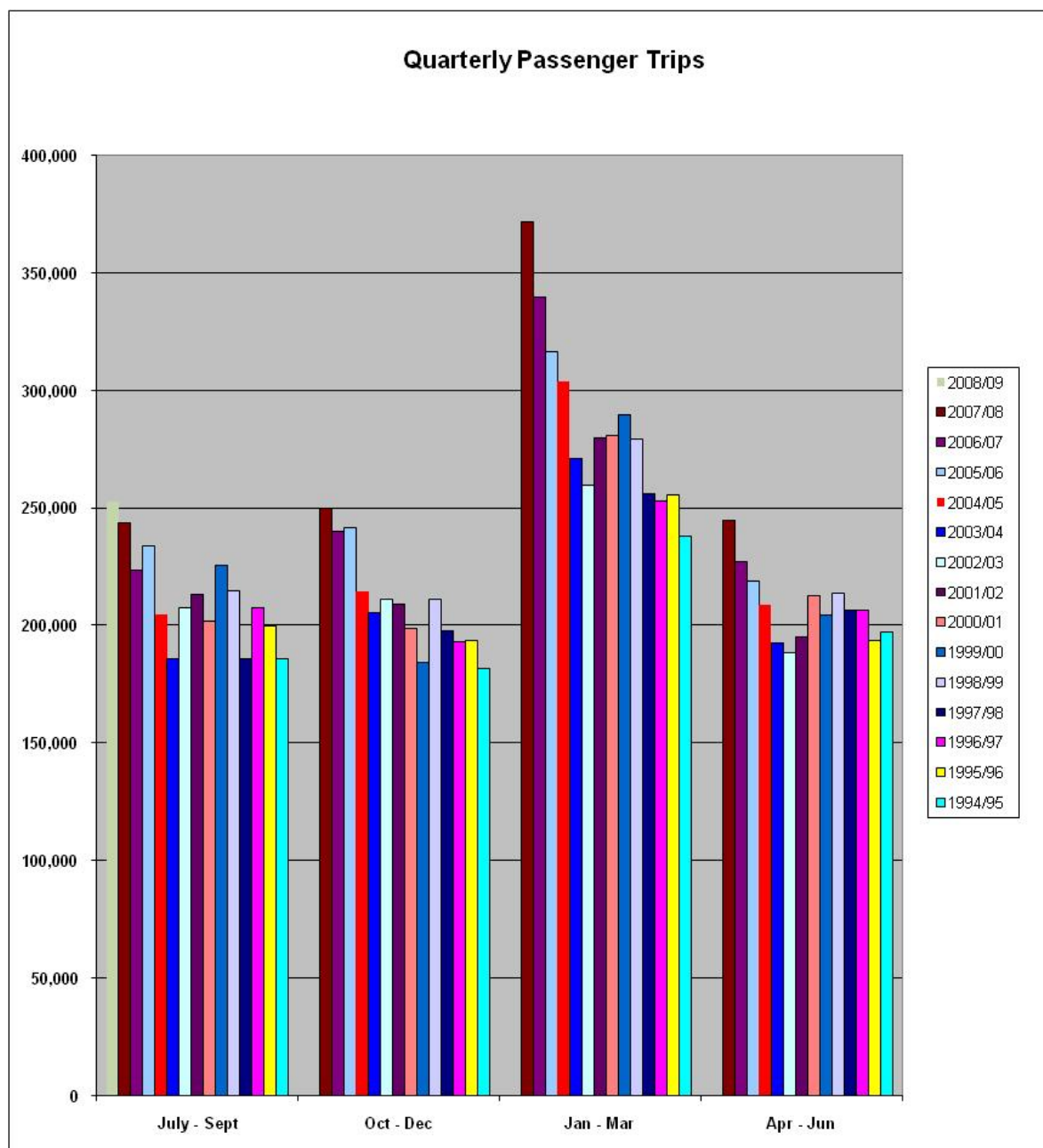
#### **Income and Expenditure Overview 2007/08**

The overall income for the quarter was \$1.114K which was 9.6% above budget. Overall expenditure was 0.8% below budget. The overall surplus was \$89.4K against a budgeted deficit of \$1.8K. This was primarily due to the favourable level of funding for the overhead, and the miscellaneous income being higher than budgeted for,

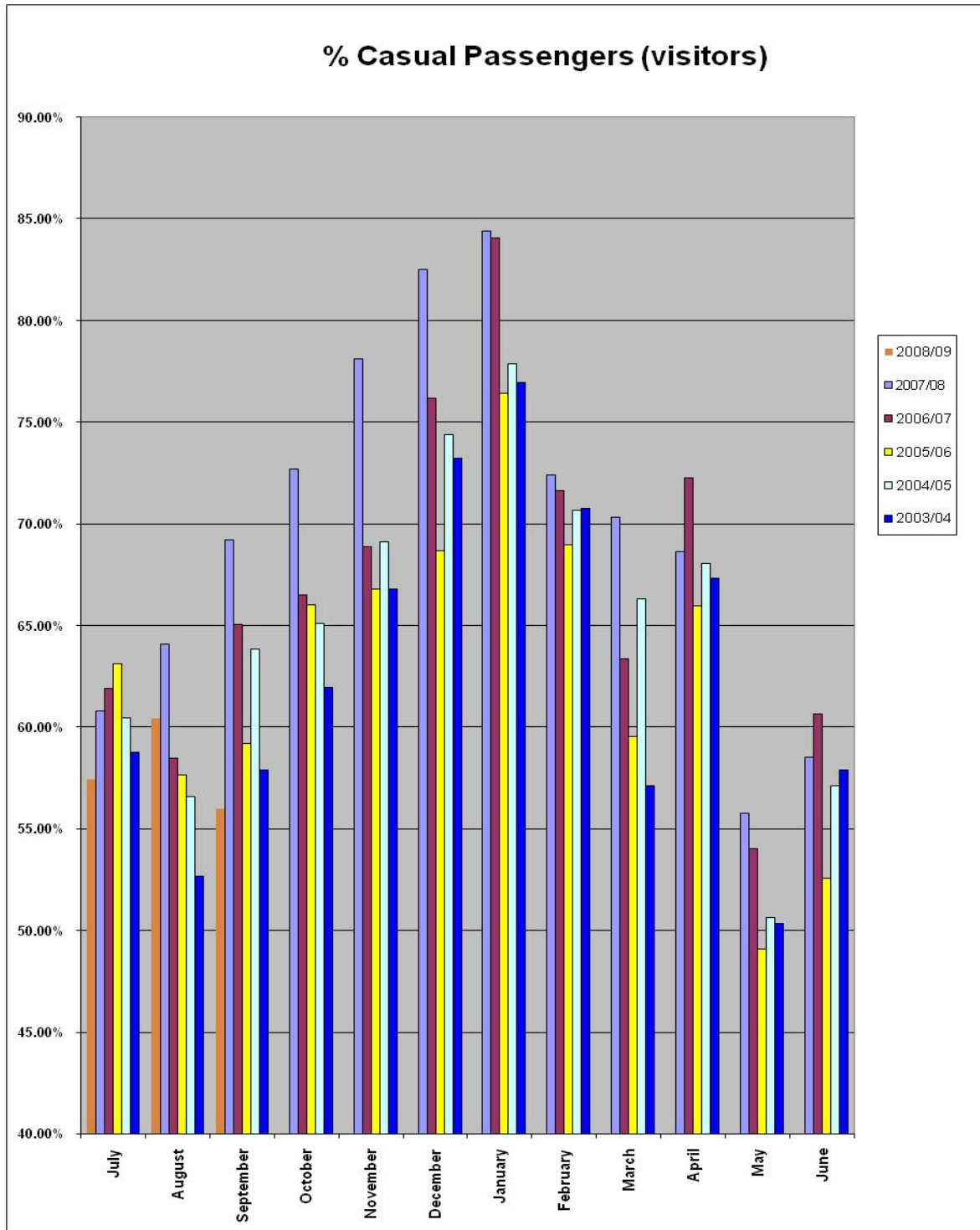
The cash-flow situation is being analysed to determine when the dividend payment can be paid in light of major outgoings forecast as a result of the major replacement work already commencing.

### Cable Car Passenger Numbers

The actual passenger numbers for the first quarter were 253,116 which is 4.0% above estimate and 4% above the same period in the previous year.



The following graph indicates that the volume of casual passengers (an approximation to visitors) and that this is very high proportion of the total particularly in the summer months. However, in the first quarter of 2008/09 casual passenger percentages are down on previous years. The reason for this trend may be related to the general down turn in visitor numbers or possibly the economic down-turn has increased the take-up of multiple trip tickets which offer a discount on standard fares.



## **GENERAL**

### **Cable Car Operation**

The cable car has been operated by “in-house” staff and management since 1 April 2007. In general improved customer service has been achieved.

### **Cable Car maintenance**

Planning for the annual survey is underway for the last weekend in October, during which time additional work will be undertaken to improve the control of the electrical power supply equipment to give a smoother start-up. The ticket printers will be changed to a more user friendly type to assist passengers to gain access through the gates and thus speeding up the traffic flow.

At the request of other tourism attractions consideration was given to move the annual shut-down to the winter period but safety considerations and the risks of weather related delays meant that it was decided to continue with the current dates.

### **Trolley Bus Overhead**

The overhead maintenance contract was tendered out with the result that that prices were substantially above previous contract prices reflecting 2008 labour rates, as opposed to those set in the 1990's upon which the previous contract was based. This meant that the funding level provided by GWRC was totally inadequate for the maintenance contract alone. Furthermore, WCCL arranged that the tenderers carried out extensive inspections of the network. The results were that the known back-log of maintenance was confirmed and that there were extensive areas requiring replacement of equipment. This exacerbated the funding issue. WCCL discussed the situation with GWRC with a view to establishing appropriate contract arrangements to allow critical maintenance to be funded and carried out as soon as possible.

WCCL provided GWRC with a detailed asset management plan identifying funding requirements for 10 years and GWRC sought approval for the funding. The funding was subsequently approved and an interim agreement was signed which allowed WCCL to enter into the maintenance contract and to commence maintenance work addressing the backlog of maintenance. GWRC required the asset management plan to be peer-reviewed by an engineering consultant and for a long term funding agreement to be entered into. The review was carried out confirming that WCCL's maintenance approach was appropriate and that known issues relating to Vector' connections to WCCL's network required resolving to prevent bus operational problems. The Vector issues are subject to contractual arrangements between NZBus and Vector. The funding agreement between GWRC and WCCL is under discussion.

The upgraded trolley buses are gradually being introduced on to the network and problems with the network and performance of the buses are starting to manifest themselves as predicted by WCCL primarily because some of Vector's supply cables being out of service.

GWRC have made a clear indication that they require the trolley buses to operate 7 days a week which has potential impacts on WCCL's ability to carry out maintenance and on the

maintenance contract staffing and associated costs. These arrangements will be included in the funding agreement.

The sale of the overhead network to the GWRC is not being discussed and WCCL is proceeding on the basis that the sale will not take place. However, GWRC are persisting with a requirement to be included in the funding agreement that they have a first right of refusal in the event that WCCL does sell the network.

A handwritten signature in black ink, appearing to read 'R Drummond', is positioned above the typed name.

**p.p Roger Drummond**

**CHAIRMAN OF THE BOARD OF DIRECTORS**