

WELLINGTON CABLE CAR LIMITED

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29 January 2009

REPORT TO THE MONITORING SUBCOMITTEE FOR THE SECOND 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 17.1% above budget and 28.6% ahead of the same quarter in 2007/08.

The trolley bus overhead network income is shown as 36.5% below budget, however payments have been received in advance of expense invoices and therefore some payments have been allocated to advance payments in the Balance Sheet to avoid distorting the profit values. Similarly, some expenses have been allocated on the Balance sheet as work in progress. During the next month the financial statements are expected to indicate that GWRC payments are in line with expenses since GWRC continues to meet WCCL's maintenance costs.

Income from Miscellaneous work and External Contracts

Income from external sources work is \$178.8K against a budget of \$43.0K primarily due to a greater level of work being required. This situation is expected to continue for the rest of the year. Included in the above is income from pole user charges which amounted to \$24.9K against a budget of \$28K. Expenses related to external work is \$129.7K against a budget of 10.6K. Overall the miscellaneous income work and external contracts resulted in a surplus of \$49.1K against a budget of \$32.4K. This income results from unplanned work on the overhead system resulting from third party requests and includes Council initiated activities and for providing escorts to high loads through the city.

Administration

The various administration charges were significantly above budget due to considerable expenditure on financial and legal advice related to the development of pole user charges and the impacts on the company's valuation and financial structure.

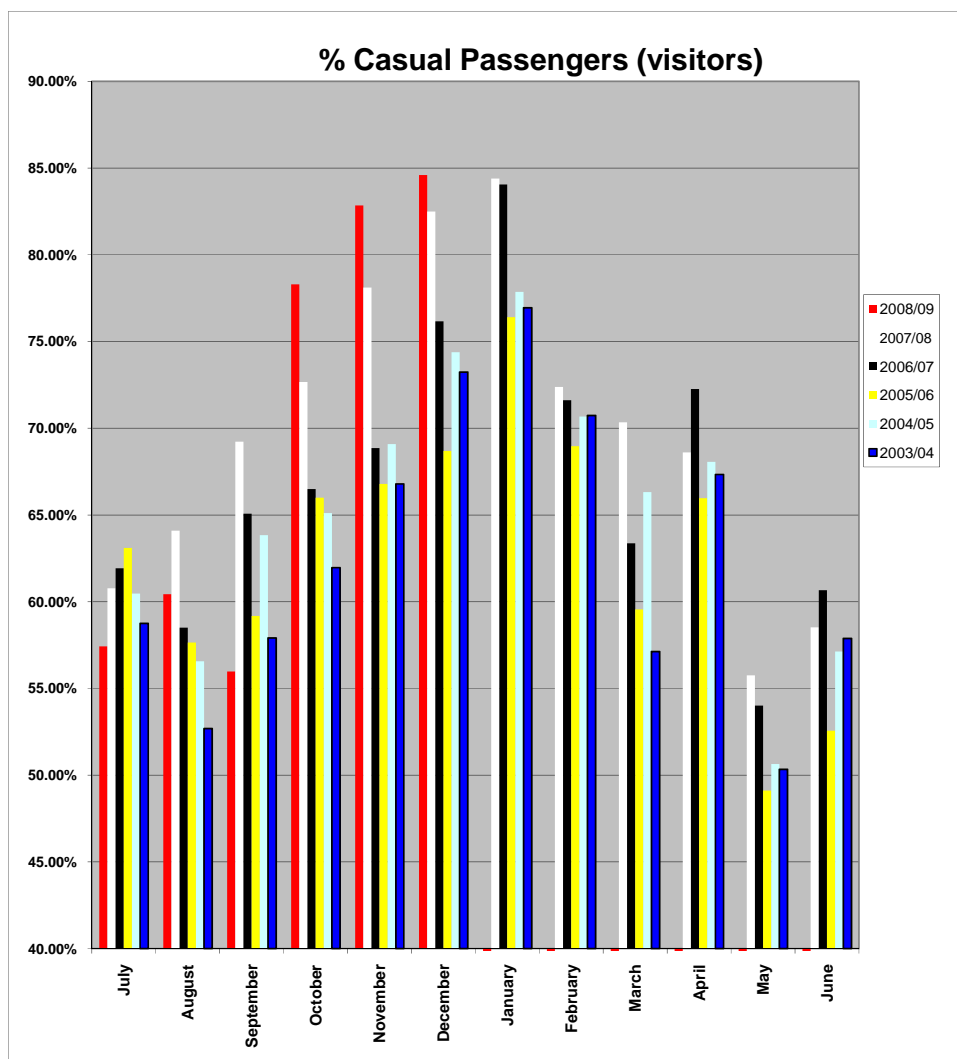
Income and Expenditure Overview 2008/09

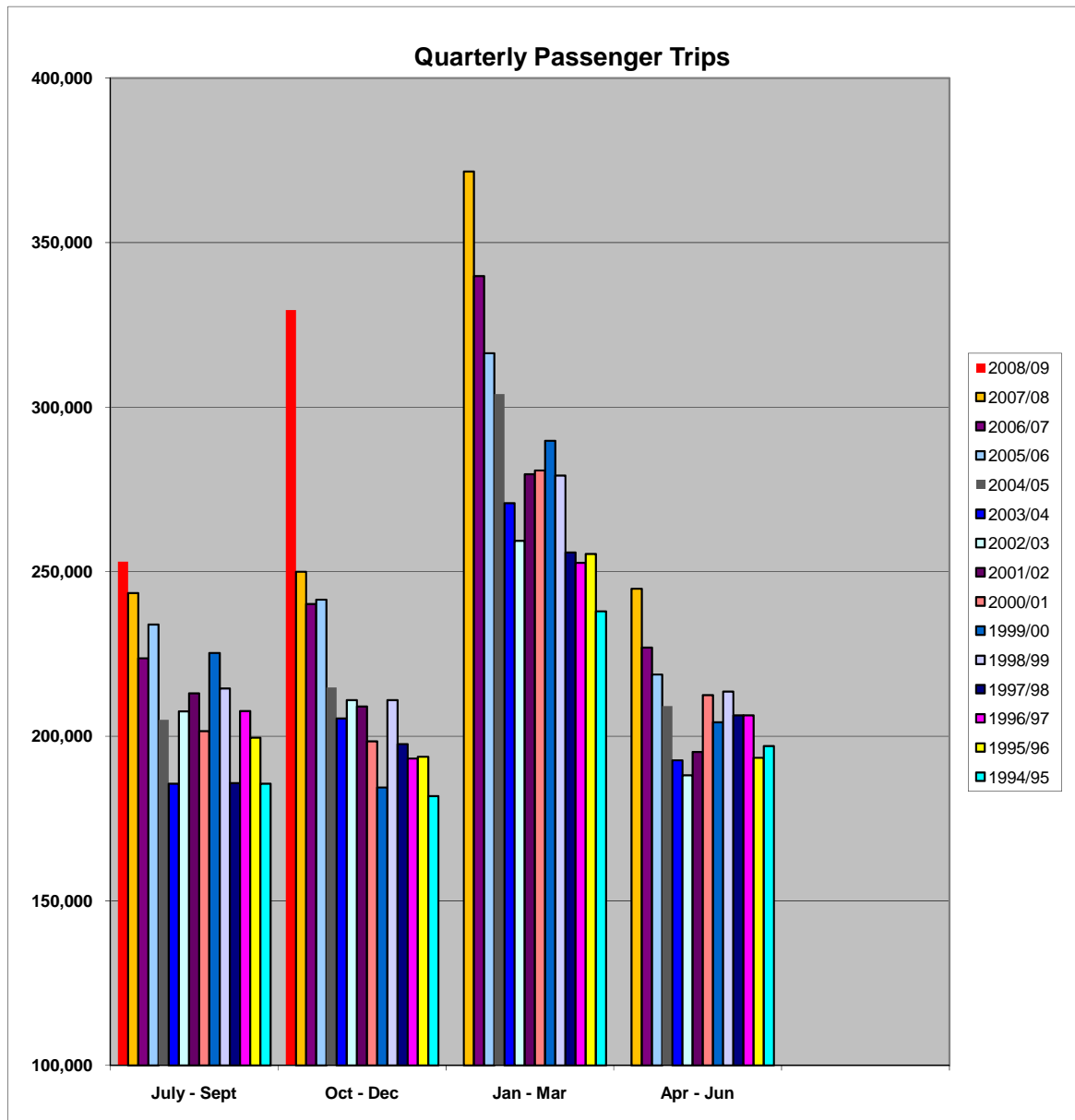
The overall income for the quarter was \$1.372K which was 13.7% below budget. Overall expenditure was 15.9% below budget. The overall surplus was \$88.7K against a budgeted surplus of \$65.1K. This was primarily due to the favourable level of cable car fares received and the income from external sources being higher than budgeted for,

Cable Car Passenger Numbers

The actual passenger numbers for the second quarter of 2008/09 were 329,498 which is 31.8% above estimate and above the same period in the previous year.

The following charts indicate the overall pattern of cable car patronage and the estimated percentage of patronage attributable to visitors to Wellington, which can be seen to be very high.





Cable Car Reliability

The reliability of the cable car was 99.94% for the quarter.

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

The annual survey was satisfactorily completed in late October/early November, during which time additional work was be undertaken to improve the control of the electrical power supply equipment to give a smoother start-up. The ticket printers were changed to a more

user friendly type to assist passengers to gain access through the gates and thus speeding up the traffic flow.

Trolley Bus Overhead

The new overhead maintenance contractor is generally performing to a satisfactory standard. In line with WCCL's Asset Management Plan, a major refurbishment of the network in Bowen St. was commenced during the Christmas period and plans are in place to carry out a refurbishment in Glenmore Street early in the New Year.

GWRC have requested that the network be provided allowing seven day trolley bus operations. This requirement could impact on WCCL's ability to carry out maintenance and requires significant additional funding from GWRC to meet the contractor's additional manning costs. GWRC have indicated that the level of funding increase is unaffordable and have requested WCCL to try and find alternative methods which would result in savings and still allow the seven day bus operations. WCCL have carried out investigations but most alternatives result in unacceptable compromises on safety and/or the completion of maintenance which is critically required.

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. Vector now WEL have tendered for one cable replacement but financial approval is awaited from WEL in Melbourne.

The funding agreement with GWRC is at an advanced stage and it is expected that this could be signed by February or March 2009.

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.

p.p Roger Drummond

CHAIRMAN OF THE BOARD OF DIRECTORS