
REPORT 2
(1215-52-02)

REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 31 MARCH 2011

1. Purpose of Report

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations (and other selected entities) for the quarter ended 31 March 2011, in compliance with the Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

- 1. Receive the information*
- 2. Recommend that the Strategy and Policy Committee notes the following matters with regard to the third quarter 2010/11 performance of Council Controlled Organisations:*
 - a) The Basin Reserve Trust confirmed a new naming rights sponsor for a period of three years. The Basin Reserve hosted a very successful nationally televised event, Fill the Basin, which attracted a capacity crowd of nearly 11,000 people and contributed \$500,000 to the Prime Minister's earthquake fund.*
 - b) Year to date, Capacity Infrastructure Services Limited is underspent relative to budget on capex for Wellington City Council. The Company expects a \$1.4m carry forward related to the replacement roof at Carmichael Reservoir and the upgrade work at Moa Point, and for all other projects to be completed by year end.*
 - c) Positively Wellington Tourism, in partnership with a number of city's visitor attractions, implemented the Wellington City Pass which was launched in January and is progressing well. The Trust continues to work closely with Rugby New Zealand 2011 and visitor attractions to ensure Wellington leverages the national activity and investments.*

- d) *Quarter three is typically a quiet period for St James Theatre and Opera House in terms of performance numbers, particularly in a non-festival year, with business picking up in March. The year to date figures for both theatres remain ahead of budget, although numbers for the quarter fell just below expectations.*
- e) *Wellington Cable Car Limited's cable car passenger total for the quarter was 351,455, which was 3% below budget and 1% below the same period in the previous year. A survey has been commissioned to obtain data on passenger trends. Cable car fare income for the quarter was 15% above budget, reflecting the fare increase effective from October 2010 and the seasonal passenger mix.*
- f) *The visitor number total for the Museums Trust in the third quarter was 220,817, slightly below budget of 230,000. Cable Car Museum performed well; however, City Gallery, Carter Observatory and Colonial Cottage visitors were short of their targets. Carter Observatory celebrated its first full year of operation, welcoming over 46,000 visitors and achieving its retail and venue hire targets. Capital E successfully delivered the National Arts Festival for Children presenting the programme to over 42,000 people.*
- g) *Wellington Waterfront Ltd began implementing the recommendations of the Implementation Review passed by the Council on 23 February. The Wharewaka and Taranaki Street public development projects were completed on budget and in time for 2011 Waitangi Day celebrations. Steady progress continues on planning and development of the Overseas Passenger Terminal.*
- h) *Year to date Zoo visitation of 150,976 is ahead of target and last year, although third quarter visitation was impacted by the poor weather on Children's Day. During the quarter, the Zoo had its accreditation visit from the Zoo and Aquarium Association, which went very well.*
- i) *Wellington Regional Stadium Trust had a good third quarter, with events including the Sevens and Nitro Circus, and is tracking above its budgeted surplus year to date.*
- j) *Wellington International Airport Limited has presented its consolidated annual report for the year ended 31 March 2011. The airport showed good earnings growth and a modest increase in passenger numbers, despite the withdrawal of Pacific Blue from the New Zealand domestic scene and changes to taxation legislation.*
- k) *The Karori Sanctuary Trust is currently reviewing its business plan and options going forward in order to address the issue of lower-than-planned visitor numbers and visitor revenues. The visitor numbers were 25,120 for the quarter, 56% below budget of 57,178. Year-to date, 70,839 people have visited ZEALANDIA, well below the year-to-date target of 111,693.*

- I) *The Transition Working Group is working steadily towards winding up the St James Theatre Trust on 30 June 2011 and transitioning the operations of that entity fully into Wellington Venues Limited.*
3. *Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report.*
4. *Note any issues for the Chair to raise with the entities covered by this report.*

3. Background

It is a requirement of the Local Government Act 2002 (the Act) that where the Council is a shareholder in a council organisation it must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of:

- The Council's objectives for the organisation
- The desired results, as set out in the organisation's Statement of Intent
- The Council's overall aims and outcomes.

The Council Controlled Organisations Performance Subcommittee (CCOPS) is tasked with the assessment of the efficiency and effectiveness of each entity. Officers have included a brief overview that includes the agreed Key Performance Indicators and financial summaries. The issues that have been identified from officers' reviews are included in this covering report.

4. Entities covered by this report

4.1 Council Controlled Organisations

To comply with statutory requirements, officers will report quarterly to the Subcommittee on the performance of Council Controlled Organisations (CCOs). These are:

Basin Reserve Trust
Capacity Infrastructure Services Ltd
Partnership Wellington Trust (Positively Wellington Tourism)
St James Theatre Charitable Trust*
Wellington Cable Car Ltd
Wellington Museums Trust
Wellington Waterfront Ltd
Wellington Zoo Trust

* St James Theatre Charitable Trust is currently in the process of merging with Wellington Convention Centre into Wellington Venues Ltd.

4.2 Wellington Regional Stadium Trust

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It is included in this report on a summary basis because of the

materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

4.3 Council Organisations

At previous CCOPS meetings it was recommended that a number of Council Organisations also be monitored on a quarterly basis. Accordingly, the following entities have been included within this quarter:

Wellington International Airport Limited
Karori Sanctuary Trust

5. Issues for the Subcommittee to consider

Council Controlled Organisations:

The Basin Reserve Trust confirmed a new naming rights sponsor for a period of three years. The Basin Reserve hosted a very successful community event, *Fill the Basin*, which attracted a capacity crowd of nearly 11,000 people and contributed over \$500,000 for the Prime Minister's earthquake fund. During the quarter, which is generally the busiest period, the bulk of the domestic cricket programme took place at the Basin Reserve.

The Asset Management Plan was completed in February and the Trust has been considering its content and recommendations.

5.1 Capacity Infrastructure Services Ltd

For the year to date, Capacity is underspent relative to budget on capex for Wellington City Council. This reflects delays in the wastewater and stormwater renewal projects timing differences in stormwater renewals and delays in sewer network renewals, the Tacy St Pump Station and the upgrading of the inlet pumping station at Moa Point.

The excavation and demolition work for the Messines Road reservoir upgrade was completed and construction work began, and construction work started on the Tacy St stormwater pump station. The Company expects a \$1.4m carry forward related to the replacement roof at Carmichael Reservoir and the upgrade work at Moa Point. Capacity expects all other projects to be completed by year end.

5.2 Positively Wellington Tourism (Partnership Wellington Trust)

Positively Wellington Tourism (PWT) continues to work closely with Rugby New Zealand 2011 and others to ensure that Wellington leverages the national activity and investment as much as possible.

The number of Australian visitors to Wellington for the quarter increased by 6.1%, compared to a 2.6% decrease for New Zealand overall. PWT continued its work on the Australian campaign which is likely to leverage some food media opportunities in the coming months. During the quarter PWT extended its activities around *There's no Place Like Wellington* to Melbourne.

Wellington has recorded the fastest growth in international visitor nights recording a 5% increase, compared to a 5.4% decrease in NZ. As part of the long haul strategy, Wellington International Airport Limited and PWT attended the Routes Conference in Seoul during March and met with ten targeted airlines to promote the case for Wellington.

In partnership with a number of city's visitor attractions, PWT implemented the Wellington City Pass which was launched in January and is progressing well.

5.3 St James Theatre Charitable Trust

Quarter three is typically a quiet period for the theatres in terms of performances, particularly in a non-festival year, with business picking up in March. Non-performance events such as meetings, product launches and conferences were below budget as a result of the economic downturn and strong competition from other venues.

Year to date figures both for the St James Theatre and Opera House remain ahead of budget, although numbers for the quarter fell just below expectations.

The Trust's operating position at the end of the quarter was stronger than budgeted by 14%. This was due in large part to expenditure being lower than expected by 10% as a result of personnel and marketing costs coming in under budget, and savings generated in IT costs since coming on board with the Council's Shared Services strategy.

Update on Merger with Wellington Convention Centre

The new CEO for Wellington Venues Limited, Glenys Coughlan, took up her role on 1 February 2011.

Progress is being made on winding up the St James Theatre Charitable Trust and should meet the target date of 30 June 2011.

Discussions with WVL are continuing on the details of the Management Agreement. Work on setting up the company's back office functions as a shared service operation are well advanced, with the St James Theatre Trust set to transfer into this platform on 1 July.

5.4 Wellington Cable Car Ltd

The cable car passenger total for the quarter was 351,455, which was 3% below budget and 1% below the same period in the previous year. The year to date cable car passenger total was 7% below budget and 2% below last year. As discussed last meeting, a survey has been commissioned to obtain data on passenger trends. Cable car fare income for the quarter was 15% above budget, reflecting the fare increase effective from October 2010 and the seasonal passenger mix.

The year to date net surplus of \$638k is well above the budgeted year to date surplus of \$413k, reflecting the stronger than budgeted cable car fare income and lower than budgeted administration costs.

5.5 Wellington Museums Trust (*including Carter Observatory*)

The visitor number total for the Museums Trust in the third quarter was 220,817, slightly below budget of 230,000. Cable Car Museum performed well; however, City Gallery, Carter Observatory and Colonial Cottage visitors were short of their targets. The factors contributing to this trend include the mixed economic and tourist climate attracting lower than forecast cruise ship visitors, declining domestic market, Carter still being at an early stage of its establishment on the tourism scene, and City Gallery having an entry by admission charge exhibition.

During the period Capital E successfully delivered the National Arts Festival for Children, presenting the programme to over 42,000 people (exceeding the last festival attendance of around 35,000).

Year to date student attendance at Capital E and Carter is significantly above budget (47,050 vs. target of 20,000 at Capital E; 4,658 vs. target 3,500 at Carter).

Carter celebrated its first full year of operation, welcoming over 46,000 visitors and achieving its retail and venue hire targets. Carter's tour group business made excellent progress with increased bookings over the next 12 months including ATP booking 66 tours of up to 25 per group from now to March 2012. For Carter, the year to date income is below budget, largely reflecting the lower visitor numbers and revenue per visitor; year to date expenditure of \$765k was below budgeted \$1,098k and Council subsidy per visitor is on target.

Significant progress has been made on the development of the Discovery room at Carter, as part of the Pickering Gallery and Discovery Room project.

The Trust indicates no change to its budgeted full year deficit.

5.6 Wellington Waterfront Ltd

At its meeting on 17 February, the Strategy and Policy Committee (SPC) considered the review of Wellington Waterfront Ltd (WWL) as an implementation agency and voted for a reduced status quo option to retain WWL as a Council-Controlled Organisation. This was approved at the Council meeting on 23 February. During the remainder of the quarter, WWL's management and board began the process of implementing the recommendations from the review.

The Wharewaka and Taranaki Street public space projects were completed in time for the 2011 Waitangi Day celebrations. Other highlights of the quarter include working with the developers of the Overseas Passenger Terminal on the successful launch of their apartment marketing campaign, the successful commissioning of a new electronic bollard access control system at the Taranaki Street gates, and further work on plans to have the Rugby World Cup village and fan zone located on the waterfront. In February, WWL presented the Council with master planning recommendations for the Queen's Wharf precinct.

WWL's Asset Management Plan has been reviewed independently and now awaits sign off by Audit New Zealand.

5.7 Wellington Zoo Trust

Year to date Zoo visitation of 150,976 is ahead of target by 4,260 and ahead of last year by 7,813, although third quarter visitation was impacted by the poor weather on Children's Day. During the quarter, the Zoo had its accreditation visit from the Zoo and Aquarium Association, which went very well with many positive comments. This was a full industry peer review over three days. The few minor suggestions made have been addressed.

The Roost Te Pae Manu was officially opened on 14 February by Hon. Nathan Guy and Mayor Wade-Brown. The additional Mojo café (the Tuck Shop) at the Hub has opened to good initial feedback. Phase one of the Hub has now been completed and phase two will begin on 1 July.

The Trust's year to date operating surplus was \$172k against a budgeted operating surplus of \$102k; however, the fourth quarter is typically a more challenging quarter. It is worth noting that the Statement of Intent estimates that the operating surplus for 2010/11 is likely to be in the order of \$10k. From a Council perspective, the Zoo Capital Plan is over-budget year to date, mainly due to the timing of Zoo upgrade projects occurring earlier than budgeted. Year to date Zoo fundraising is also above budget. For the full year, the expected overspend relative to budget will be largely offset by a higher than budgeted Zoo fundraising contribution.

Other Organisations:

5.8 Wellington Regional Stadium Trust

Wellington Regional Stadium Trust had a good third quarter. The Stadium hosted ten event days and five community event days, including the Sevens, a one day international between New Zealand and Pakistan, and Nitro Circus. Year to date, the Trust continues to track above the revised budget net surplus of \$2.8m (the original budgeted net surplus was \$1.28m). It is worth noting that the business plan (included in the Statement of Intent report) estimates that the net surplus for 2010/11 is likely to be in the order of \$3.14m.

Total attendance for the quarter was 150,943 patrons. There were four Phoenix games during the quarter, with attendances averaging 9,380, just slightly below average attendances for this time last year. There were also two Super Rugby games during the quarter; attendances averaged 12,000, which was largely in line with last year. This average has declined slightly since quarter end.

The Trust continues to meet regularly with the Regional Coordination Group and Rugby New Zealand 2011 as part of Rugby World Cup preparations. During the quarter the Trust continued its exterior cladding and roof repair work. This work is ahead of schedule. The exterior cladding and under-slung gutter work on the roof is complete; some leaks in the corporate box corridor are now being fixed. Re-carpeting is also complete and the Trust has no major upgrade work to be undertaken before Rugby World Cup.

In addition, the Trust provided turf management services worth \$62,955 to Basin Reserve during the quarter. The Trust also continues to work on developing its Stadium Master Plan.

5.9 Wellington International Airport Limited

Wellington International Airport Limited has presented its consolidated annual report for the year ended 31 March 2011. The airport showed good earnings growth at an operating level with a modest increase in passenger numbers, despite the withdrawal of Pacific Blue from the New Zealand domestic scene. The after-tax surplus was affected by a one-off tax adjustment resulting from changes to taxation legislation. The tax changes resulted in a re-calculation of the deferred taxation liability and the removal of the tax deduction for depreciation on buildings with a life equal to or greater than 50 years causing a one-off negative impact on taxation expenses in the year. A dividend of \$8.3 million was paid in July 2010 to WCC.

5.10 Karori Sanctuary Trust

Karori Sanctuary Trust's visitor numbers were 25,120 for the quarter, 56% below the budget of 57,178. Year to date 70,839 people visited ZEALANDIA, well below the year to date target of 111,693.

The Trust has implemented a number of strategies aiming to increase visitor numbers including free transport from the city to ZEALANDIA, enhancing visitor and product experience and better signage.

The Trust is currently reviewing its business plan and options going forward in order to address the issue of lower-than-planned visitor numbers and visitor revenues.

The Trust continues its successful conservation programme.

6. Conclusion

A short report prepared by officers is given for each entity's quarterly report which summarises the information for the quarter and relevant current issues. The issues for the Subcommittee to consider have been determined after review of the documents by officers and discussion with the entities. After considering these reports, the Subcommittee can, if it considers it appropriate to do so, draw any matters to the attention of the Strategy and Policy Committee.

If it considers that it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chair to seek responses from a Board or Trust Chair to any queries it may have. These responses will then be tabled at the next meeting of the Subcommittee.

Contact Officers:

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Supporting Information
1) Strategic Fit / Strategic Outcome <i>These entities and projects support the achievement of a range of outcomes across most strategic areas. Where relevant, reference is made to the 2010/11 Annual Plan.</i>
2) LTCCP/Annual Plan reference and long term financial impact <i>Please refer to the individual covering report that prefaces each entity.</i>
3) Treaty of Waitangi considerations <i>This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth Trust, as part of normal operations.</i>
4) Decision-Making <i>This is not a significant decision.</i>
5) Consultation <ul style="list-style-type: none"> a) General Consultation <i>A draft of each entity report will be circulated to the individual entity, with comments passed on to the sub-committee as appropriate</i> b) Consultation with Maori <i>See section 3, above.</i>
6) Legal Implications <i>The Council's lawyers have been consulted during the year as part of normal operations. There are no new legal issues raised in this report.</i>
7) Consistency with existing policy <i>This report is consistent with existing WCC policy.</i>