



11 December 2013

The Committee
 Transport and Urban Development Committee
 Wellington City Council
 PO Box 2199
 Wellington 6140

Dear Committee,

**WCCL QUARTERLY REPORT (FIRST QUARTER OF 2013/14, TO 30 SEPTEMBER 2013)
 TO THE WCC CCO MONITORING SUBCOMMITTEE**

1. Executive Summary

The first quarter for the 2013/14 year has been a very busy but productive time for Wellington Cable Car Limited ("WCCL"). The ongoing construction of the Kelburn terminus, along with the abnormal weather conditions during the period has kept management and staff busy. The change in CEO (including the appointment of the interim CEO) has resulted in a change in direction and an injection of impetus into various strategic initiatives which has been received extremely positively by staff.

As mentioned below, a number of Company strategic initiatives have been either commenced or progressed during this quarter, which will provide a solid foundation for the Company moving forward.

2. SOI / Business Plan Targets

Financial Performance by Division – Quarter 1 2013/14					
	Overhead Division	Cable Car	External Activities	Corporate	WCCL Total
Budget	(56,000)	24,000	38,000	(86,000)	(80,000)
Actual	(59,000)	(32,000)	43,000	(32,000)	(80,000)
Variance	(3,000)	(56,000)	5,000	54,000	0

Financial Performance by Division – Year to Date 2013/14					
	Overhead Division	Cable Car	External Activities	Corporate	WCCL Total
Budget	(56,000)	24,000	38,000	(86,000)	(80,000)
Actual	(59,000)	(32,000)	43,000	(32,000)	(80,000)
Variance	(3,000)	(56,000)	5,000	54,000	0

Cable Car Patronage Targets – 2013/14 Year					
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Full Year
SOI Target	224,100	292,300	352,000	216,000	1,084,400
Actual	172,280				
Variance	(51,820)				

3. Cable Car

The Kelburn terminal construction project is 2 months late but is nearing completion following resolution of contractual issues, demolition of the skyline kiosk, and the cumulative impact of minor specification changes. Construction delays in addition to other factors (in particular, the earthquakes and severe storms) have resulted in reduced passenger numbers and fare income as indicated in the financial performance table above. Fletcher Building is now working towards a completion date of mid December 2013 and WCCL is in the progress of organising the opening function and look forward to an iconic Wellington building being completed.

The previous budget forecast did not include the impact of a temporary reduction in cruise ship numbers for the 2013/14 season, and did not anticipate any delays in project completion which have had a knock-on effect. As a result, there is a shortfall in cable car fare income of \$85,000 compared to the first quarter budget. A further revenue shortfall of approximately \$200,000 for the rest of the 2013/14 year is projected. This is equivalent to a reduction in passenger numbers of approximately 91,000.

Other Issues

Other issues faced include the future implementation of Snapper, replacement of the Lambton Quay passenger gates which are approaching end of life and are becoming increasingly unreliable, and concerns raised by the Wellington Museums Trust over a loss of revenue for the Cable Car Museum during the Kelburn terminal rebuild.

Snapper – Snapper is seen as a key strategic initiative for the Company as this will be the pan-Wellington travel payment method system across all transport media within the near future. It is also important for the future retention of student passenger numbers which have dropped off in recent times.

Passenger Gates – there have been a series of niggling operating issues with the gates and the ticketing system and WCCL has been working with the system supplier to resolve these. Irrespective of this, the gates are approaching the end of their working lives and WCCL has budgeted and is investigating the replacement of these gates, along with the Cable Car point of sale system for the 2013/14 financial year.

4. Trolley Bus Services

Transfield Services Performance and Future Contract Renegotiations

The current maintenance services provision contract in place with Transfield Services Limited (“TSL”) expires on 30 June 2014. Given the current uncertainty regarding the future of the trolley bus service post June 2017, it is WCCL’s intention to renegotiate an extension to the current TSL contract through to June 2017.

To this end, WCCL has engaged a third party to assist with these negotiations and WCCL should be in a position prior to Christmas as to understand whether an external tender process will be needed if renegotiation is unsuccessful.

Trolley Bus Projects

The first quarter of 2013/14 has been a very busy period for WCCL in respect of project planning and liaising with GWRC to seek funding approvals for high priority projects.

Network Wide Safety Protection - WCCL is currently developing a prototype to test on the network which will be installed prior to Christmas. Following this prototype testing, a decision will be made whether or not to progress with the network wide rollout of these devices or whether alternative solutions or measures should be put in place depending on the outcome of the decision on the future of the trolley bus operations and a further legal review.

Karori / Hataitai Network Section Replacement Projects - WCCL has forwarded to GWRC a business case for the replacement of Stage 3 of the Karori route, and will shortly do the same for the Hataitai section. Both of these are in extremely poor condition and approval of these projects is critical to enable the sections to remain in service for longer than 12 months.

Other Issues – Spine Study/Trolley Bus Overhead Strategy

Spine Study – future decisions about the long term status of the Trolley Bus network, influenced by the Spine Study, may fundamentally change the nature of the WCCL business should a decision be made to cease Trolley Bus services after June 2017. WCCL is monitoring the progress of this project and is liaising closely with GWRC as a result.

As a strategic measure, WCCL wants to ensure that all interested parties hold the requisite information required to make an informed decision on the future of the Trolley Bus service in Wellington. To this end, WCCL has engaged SKM to assist the Company in the development of a strategy paper that can be provided to GWRC, WCC and the working group.

5. Other Activities

Health and Safety

The Board and Management of WCCL see Health and Safety as key area of the Business. As a result, an external consultant has been engaged to review the current policy and processes to ensure that the Company complies with all regulations and provides WCCL with a consistent approach across the entire Company to health and safety that is centrally and proactively managed. This project is progressing well and should be completed by the time of the next quarterly report.

New CEO

Simon Fleisher commenced as CEO of WCCL on 14 October 2013, following Mark Woodard acting as interim CEO. The previous incumbent's employment (Des Laughton) terminated on 01 September 2013.

Human Resources

The Company has completed performance reviews for all staff, including a review of remuneration. This process has seen the implementation of a standard review process to ensure the Company is adopting market practice in this area.

This has been positively received by staff and provides a solid foundation for the Company moving forward.

Annual General Meeting

The Company will hold its Annual General Meeting in respect of the 2012/13 year immediately prior to the next Board meeting 12 December 2013 at 9.30am (to be held at WCC offices). Formal notification and meeting documentation will be sent to WCC prior to the AGM.

Please do not hesitate to contact me if you have any further queries in relation to any of the matters contained within this report.

Yours sincerely

Simon Fleisher
Chief Executive

cc: Roger Drummond (Chairman, WCCL)