

WELLINGTON CABLE CAR LIMITED

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5 May 2006

REPORT TO THE MONITORING SUBCOMITTEE FOR THE THIRD QUARTER OF 2005/06

FINANCE

Cable Car & Trolleybus System Income

Cable Car fare income is 7.2% above budget and 1.8% ahead of the same quarter in 2004/05. For the year to date to 31 March 2006 the cable car income is 14.0% above budget and 8.3% above the same period in the 2004/05 year.

The monthly contract payment from the GWRC to cover the anticipated cost of inspection, maintenance, and repairs of the trolleybus overhead system has been received at the levels agreed at the time of contract roll-over in June 2004 until 31 January 2005. WCC/WCCL has sought legal advice on liability arising from inadequate maintenance funding. The GWRC had agreed to fund specific identified work which is currently being undertaken and progress payments have been paid. GRWC have requested a further roll-over of the contract until 31 July 2006. WCC and the GWRC have been advised of the unsatisfactory situation whereby decisions on the trolley overhead are further delayed and the level of payment is inadequate to cover the costs involved in meeting deferred maintenance requirements.

WCCL is developing a detailed maintenance plan for the next financial year which represents the start of a programme of work to address deferred maintenance. WCCL will seek an appropriate contract and payments to meet this programme.

Income from Miscellaneous work

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

EXPENSES

Cable Car Operation

Expenditure on the passenger service operation for the three month period is in line with budget.

Cable Car Maintenance and Miscellaneous

The expenditure on Cable Car maintenance and other miscellaneous expenses are in line with budget for the second quarter and the six month period.

Trolleybus Overhead System and Pole Work

The overall expenditure for the third quarter is 12% above budget and for 10% above budget for the year to date due to timing issues.

Administration

The various administration charges are in line with budget for the third quarter and 8% above budget for the year to date timing issues and increases in directors' fees.

The depreciation is in line with budget.

Income and Expenditure Overview 2005/06

The operating surplus for the third quarter and the nine month period are over budget due to income from cable car fares and from overhead network pole work being higher than anticipated. The operating surplus for the March quarter is \$208,000 compared with \$169,000 for the same period in 2004/5. For the nine months period 31 March 2006, the surplus is \$372,000 compared with \$354,000 for the previous year.

No interim dividend has been proposed to date.

Passenger Numbers

For the third quarter the passenger figures were 316,401 which is 6.5% above budget and 4% above the same period in 2004/05. The year to date numbers were 791,880 which is 13.1% above budget and 9.4% above the same period in 2004/05. It is of note that that the first three quarters of the 2005/06 year exceed all of the same quarters over the last ten years. Similarly all nine months are records except for one month's figures back in 1999/2000,

GENERAL

Cable Car Operating Contract

The cable car operating contract expires at the end of June 2006; however a six months extension has been negotiated to avoid a potential changeover of contractor during the refurbishment of the Lambton terminal. The contract will be tendered out for a new contract to commence on 1 January 2007.

Cable Car maintenance

The annual survey was carried out successfully in October with the system being returned to service ahead of time. There were no significant issues raised by the inspector.

Contracts have been let for the painting and mechanical repairs of Salamanca Bridge.

The cable car reliability for the quarter was 98.8% which is lower than the normal due to a control equipment and compressor failures. The equipment in question has been replaced.

Lambton Terminal Upgrade

The Lambton refurbishment project has progressed to the extent that design is largely complete and the documentation has been prepared in readiness for the issuing of tenders early in May 2006. There are some uncertainties related to WCC requirements for resource consents since the Cable Car route and part of the terminal building appear to have been declared as having Heritage status. Discussions are being held with WCC to clarify the situation; however, if the requirements for consents are onerous this will cause a delay in the project.

Trolley Bus Overhead

The Greater Wellington Regional Council has requested that WCCL roll-over the contract until 31 July 2006 because the proposed sale of the overhead network to GWRC will be delayed. WCCL has declined to agree to the rollover since the level of contract payments is inadequate to meet a prudent asset management plan. Decisions on the continuation of the overhead are occurring because Vector have advised the GWRC that a substantial investment (\$15 million over the life of the trolley bus system) will be required to replace Vector's supply system to WCCL's network. Because of these issues the potential sale of the assets to GWRC appears to have gone on hold. WCCL has been approached by third parties expressing interest in the purchase of the overhead. WCCL is consulting with WCC but WCCL has had legal advice that a sale to any other party than the GWRC would have to be on a strictly commercial; basis.

WCCL is preparing detailed asset plans for the next 12 months with a view to seeking a contract from the GWRC with the appropriate level of funding.

Roger Drummond

CHAIRMAN OF THE BOARD OF DIRECTORS