

WELLINGTON CABLE CAR LIMITED

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8 May 2009

REPORT TO THE MONITORING SUBCOMITTEE FOR THE THIRD QUARTER OF 2008/09

HIGHLIGHT

Wellington Cable Car Ltd (WCCL) has reached the final of the Wellington Gold Award in the Vibrancy classification related to contributing to the vibrancy of the City. The winner will be announced on 13 May 2009.

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 may 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 6.9% above budget for the quarter and 10.0% above budget for the year to date (YTD). The quarter fares are 17.4% ahead of the same quarter in 2007/08 and the YTD is 18.1% above the same period in 2007/08.

The trolley bus overhead network income is shown as 13.7% above budget for the quarter and 4.5% below budget for the YTD. However there are timing issues particularly related to the projects for the replacement of collector wire which mean in the short term there are considerable variances against the budget. Payments are being received in advance of expenses and once these have been accounted for income will closely match the expenditure incurred. The overall expenditure for the year on the overhead will be close to budget.

Income from Miscellaneous work and External Contracts

Income from external sources work is \$304.9K 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. Expenses related to external work is \$165.1K against a budget of 10.6K. Overall for the quarter the miscellaneous income work and external contracts resulted in a surplus of \$139.8K against a budget of \$32.4K. For the YTD the surplus is \$226.3K against a budget of \$129.5K. This income results from unplanned work on the trolley bus 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.

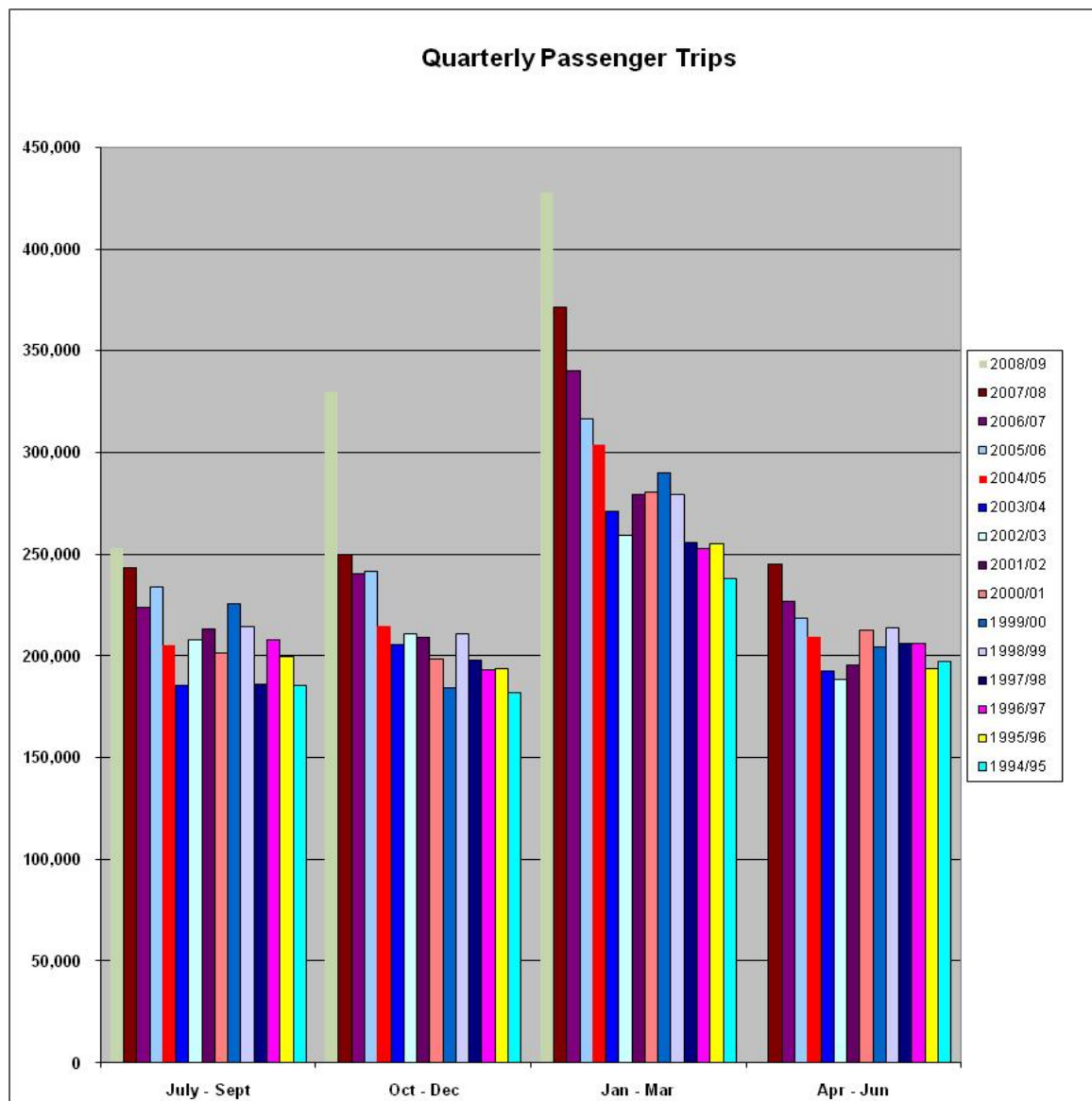
Income and Expenditure Overview 2008/09

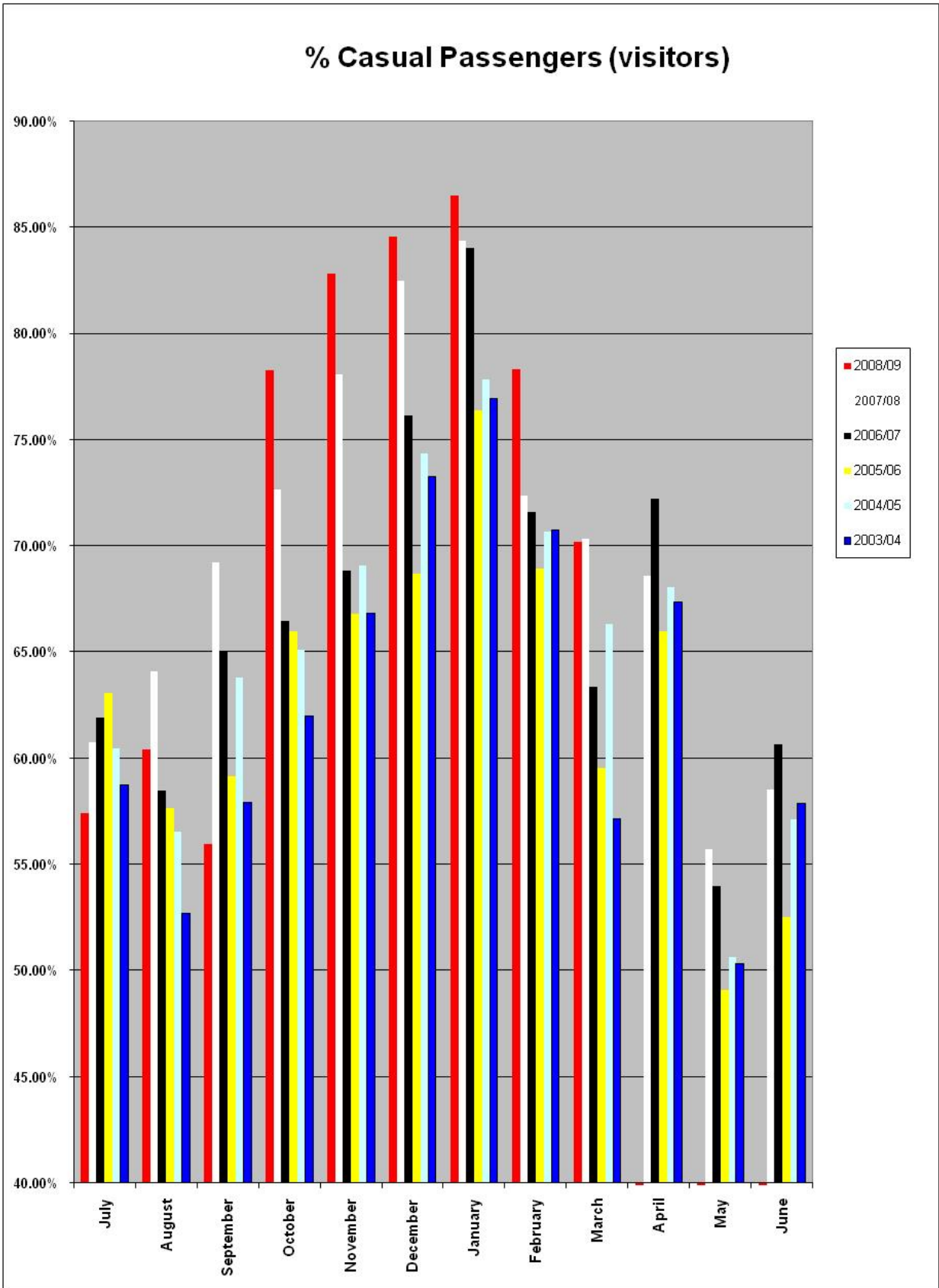
The overall income for the quarter was \$2405.9K which was 25.0% above budget. The income is high in this quarter reflecting payments from GWRC for the large number of contact wire refurbishment projects carried out in the summer months. Overall expenditure was 13.2% above budget. The overall surplus was \$635.0K against a budgeted surplus of \$360.7K. However it must be noted that for this quarter the overhead network has a surplus of \$347.3K which is achieved because of the income from the GWRC being in advance of expenditure, whereas the surplus by year end will be zero. Therefore the overall surplus for the quarter is \$287.7K against a budget of \$242.6K when the overhead surplus is discounted. For the YTD, the overall surplus is shown as \$811.9K against a budget of \$394.1K however if the effect of the overhead is discounted the overall surplus is \$292.0K against a budget of \$276.0K i.e. 5.8% above budget. The overall favourable position is primarily due to the higher than expected 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 third quarter of 2008/09 were 427,786 which are 15.1% above estimate and above the same period in the previous year. The YTD passenger numbers are 16.8% above the estimate and 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 99.5% for the quarter.

GENERAL

Cable Car Operation

The cable car has been operated by “in-house” staff and management since 1 April 2007. The number of complaints received has been negligible.

Cable Car maintenance

Additional work was be undertaken to further improve the control of the electrical power supply equipment to give a smoother start-up.

Trolley Bus Overhead

The new overhead maintenance contractor is generally performing to a satisfactory standard. In line with WCCL’s Asset Management Plan, replacements of the thin contact wire have been completed in:-

- Bowen Street
- Tinakori Road
- Glenmore Street
- Mirimar

It is anticipated that all of the wire replacements in the AMP will be completed by the end of the financial year. Pole replacements are continuing at around 10 per month and by the end of the year around 125 old poles will have been replaced.

The introduction of 7 day operations for trolley buses is on hold pending decisions from GWRC to meet the additional contractor costs to provide the necessary breakdown and fault services.

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. WEL Electricity Lines have not made any progress with respect to replacing faulty cables. The Mayor has written to the company’s owner in Hong Kong with a view to improving progress.

The funding agreement with GWRC has still not been signed although there are now no major issues outstanding other than the 7 day operation introduction.

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 still indicating their interest in the future ownership of the network.

NZBus have caused issues with buses depoling and damaging property in Customhouse Quay. Depoling is an ongoing issue and it is WCCL’s view that the root cause of the problem is excessive speed by the buses and the design and maintenance of the trolley pole retractor systems on the buses.



p.p. Roger Drummond

CHAIRMAN OF THE BOARD OF DIRECTORS