

March 1, 2010

James Ogden
Chair
Council Controlled Organisations Performance Subcommittee
Wellington City Council
PO Box 2199
WELLINGTON

Dear James,

RE: Statement of Intent (SOI) 2010-11

Thank you for your letter of January 29, 2010 regarding the development of the Wellington Zoo Trust's Statement of Intent for 2010-11. The Trust is keen to work with Council to deliver the very best outcomes for our city and we thank you for your comments about the work the Trust has been able to accomplish.

In response to your letter I would like to make some comments in certain areas and commit to ensuring the SOI addresses all areas specified in the letter.

The first specific areas I would like to address relate to a possible 5% operational funding decrease and working capital reserves for the Trust.

The Trust fully accepts the challenge of reducing our relative reliance on Council funding over time and, as you have requested, the Statement of Intent outlines the key strategies for achieving this.

The Trust takes its responsibility of financial sustainability seriously. Our successful track record over the life of the Trust indicates that the Trust will ensure this outcome. We seek to mitigate financial risk while still providing an accessible and value for money attraction for Wellington.

Long term visitation data illustrates the Zoo's vulnerability to bad weather especially in the context of the Trust's ongoing responsibility for meeting an increasing share of (rising) operating costs. We have set ourselves the task of not requesting more operational funding from Council over the last three years and we have accepted that our operational grant has 'flat lined' over the life of the ZCP despite inflation increases over that time.

However, we would find it difficult to operate at our current level of outcomes if we had to absorb a drop in current funding of a possible 5%. We are a fixed cost business with 95% of our income tied to caring for the collection and running the business. In order to attract and retain experienced and skilled staff we must grow our revenues to pay market value for these skills and we cannot do that should operational funding be reduced. This is a critical success area for us as 21st century zoo professionals are drawn from a small global pool of experts. At the current level of operational funding from WCC it is

unlikely that we will be able to maintain our current salaries at the desired rates to achieve this goal. For example, in order to offer a 3% salary increase for current staffing would require additional funds of between \$90,000- \$100,000 in 2010-11.

We would find it difficult to reduce services or activities as this would have to involve reduced fundraising capability and reducing marketing spend when we are trying to grow visitation. The Deloitte financial modeling completed pro bono for the Zoo indicates that increased visitation is the key way to reduce our dependence on Council over time so to reduce activities which are designed to grow this area would not be the best business decision.

The Board remains concerned that the going forward amount of working capital for the Zoo remains inadequate. A core measure of any business is the ability to absorb shock in an economic downturn or other adverse circumstances.

We see that we have considerable work to do over the next two years to build a desired working capital level of at least two to three months operational costs. This is in the region of \$600,000 based on the fact that we are supported by Council operational funding which would help alleviate any critical issues for a small interim period. .

The second specific area to address is in regard to the Zoo's contribution to the Rugby World Cup. We are willing to be part of the Rugby World Cup event to provide an experience for visitors which will see them want to return. We have already indicated our intent in this area to Tim Harrod and have adjusted the ZCP projects to ensure only the Meet the Locals project is in construction during the RWC.

The third area for comment is the ZCP management and implementation. The Trust is committed to ensuring the original key drivers for the ZCP are implemented despite any changes to the individual roll out of the projects. The Business Case drivers are key to any decision making in regard to the ZCP. Any changes are clearly communicated to Council and reasons given for the change. As the Trust has proven over the first three years of the ZCP we have improved our management processes and governance of the capital works. We have been successful in delivering major and minor projects on time and very close to budget. We have also been successful in raising our 25% of the costs of the ZCP projects despite the recent economic downturn. We will continue to ensure the appropriate expertise and skills are in place to effectively roll out the ZCP.

We have begun tracking the operational changes for The Nest – Te Kōhanga and have absorbed any change since building the Wild Theatre, the Chimp House and the Giraffe House into current operational costs – they do not have major impacts on operational costs like is expected for the hospital. We envisage this will be the case as was indicated in the original business case as The Nest – Te Kōhanga is four times the size of the old hospital.

Finally in regard to climate change and sustainability issues the Trust is well advanced in this regard being the Sustainable Business of the Year in 2009 for central and southern region through the Sustainable Business Network (SBN) Get Sustainable Challenge. We are the only NZ zoo to be a member of SBN, we were the first Wellington attraction to achieve Qualmark Enviro Gold accreditation and we already work with Council to measure our carbon footprint and emissions.

The Trust looks forward to continuing the positive working relationship we have with Council to create a Zoo we can all be proud of. We greatly appreciate the capital investment Council is making to the Zoo

and the collegial support we have received from Council to enable us to continue to redevelop and improve the Zoo in many ways.

We are always keen to share the development of our city's Zoo with the Subcommittee and so we cordially invite any members of the Subcommittee to visit the Zoo in the future at any time to have a more thorough discussion about the plans for the Zoo. Please do not hesitate to contact me or Karen Fifield should any member wish to do so.

We are looking forward to an exciting year for Wellington Zoo as we continue to create 'the best little zoo in the world'.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ross Martin', is positioned above the typed name.

Ross Martin
Chair
Wellington Zoo Trust