

# APPENDIX FIVE

## **WELLINGTON CABLE CAR LIMITED**

### **REVIEW OF 2009/10 ANNUAL REPORT**

Wellington Cable Car Limited (the Company) presents a draft Annual Report for 2009/10.

#### **Highlights for the year**

- The Company achieved a net surplus of \$430k, above the budgeted figure of \$211k and last year's result of \$216k.
- Total passenger numbers for the year were 1.076m; 14% below the Statement of Intent target and 6% below last year's figure. The decrease is attributed to the difficult economic conditions and adverse weather during the year.
- The cable car achieved reliability of over 99% for the year.
- The Company continued to address the backlog of maintenance on the overhead trolley bus network – spending \$3.96m versus \$3.72m in 2009.
- In response to concerns about stresses placed on the trolley bus overhead network, a Technical Review Group was established. The report of this group is currently being drafted for submission to WCC and GWRC.

#### **Performance**

##### **1. Financial**

A review of the Company's draft financial statements highlights the following points:

- Passenger fare revenue was slightly above budget, although passenger trips were below budget.
- After the subvention payment and a tax credit, the Company achieved a net surplus of \$430k, well above last year's result of \$216k. The increase was largely driven by third party work, including preparation work for projects such as the Manners Mall development.
- Total operating expenses were largely in line with last year and were 5% below budget.
- As of 30 June 2010, the Company has a net cash balance of \$0.9m.
- The Directors intend to provide a dividend in line with previously agreed arrangements; however, this is subject to final discussions with Council officers.

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## Statement of Financial Performance

| \$ '000                     | FY<br>Actual | FY<br>Budget | 2008/09<br>Actual |
|-----------------------------|--------------|--------------|-------------------|
| Income                      | 6,351        | 6,530        | 6,112             |
| Expenditure                 | 5,869        | 6,201        | 5,862             |
| Operating Surplus           | 482          | 329          | 250               |
| Subvention Payment /<br>Tax | (52)         | 118          | (34)              |
| Net Surplus                 | 430          | 211          | 216               |

## Statement of Financial Position

| \$ '000                    | FY<br>Actual | FY<br>Budget | 2008/09<br>Actual |
|----------------------------|--------------|--------------|-------------------|
| Current assets             | 2,425        | 1,774        | 2,143             |
| Non current assets         | 6,012        | 5,989        | 6,217             |
| Current liabilities        | 848          | 318          | 1,085             |
| Non current<br>liabilities | 764          | 735          | 747               |
| Equity                     | 6,825        | 6,710        | 6,528             |
| Current ratio              | 2.9 : 1      | 5.6 : 1      | 2.0 : 1           |
| Equity ratio               | 81%          | 86%          | 78%               |

## Statement of Cash Flows

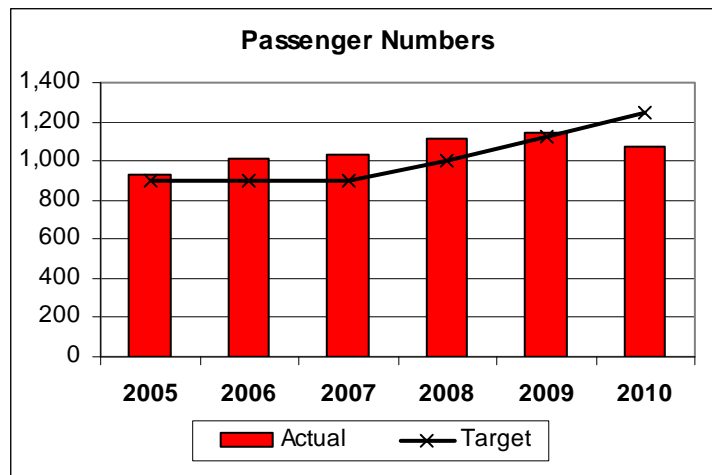
| \$ '000         | FY<br>Actual | FY<br>Budget | 2008/09<br>Actual |
|-----------------|--------------|--------------|-------------------|
| Operating       | 310          | 95           | 784               |
| Investing       | (40)         | 31           | (68)              |
| Financing       | (203)        | -            | (336)             |
| Net             | 68           | 126          | 380               |
| Closing balance | 905          | 977          | 837               |

*Note: the Company's financial statements have been prepared using NZ IFRS.*

## 2. KPIs

The majority of the annual KPIs have been achieved, particularly the operational measures. Total passenger numbers were 14% below the Statement of Intent target for the year. However, it should be noted that management budgets incorporated a lower passenger target. The decrease in passenger numbers is attributed to the difficult economic conditions and adverse weather during the year.

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### Performance Measures:

| <b>Performance Indicator</b>  | <b>Target</b>                                     | <b>Result</b>   |
|---|---|---|
| Cable car vehicles, track, tunnels, bridges, buildings and equipment are maintained to required safety standards                | Approval by NZTA                                  | Approval granted (see Operations section for further comment)   |
| Cable car service reliability   | Greater than 99%                                  | Achieved  |
| Cable car tourism initiatives are implemented   | Additional tourism initiatives revenue of \$20k   | Generated additional revenue of \$12k   |
| Inspection, maintenance and repair of trolley bus overhead network are carried out to provide appropriate levels of reliability | No network failures due to inadequate maintenance | None from current maintenance activities that were inadequate; however, failures still occur due to maintenance backlog not yet remedied.   |
| Trolley bus overhead network asset management plan prepared   | Annual AMP approved by 30 April 2010              | 2009/10 AMP approved 15 September 2009  |
| Poles identified as requiring urgent and critical replacement are programmed  | Pole replacement programme completed              | 120 poles were replaced (104 last year)   |
| Overhead components identified as requiring replacement or repair are programmed  | Component programme completed                     | Achieved  |
| Trolley bus overhead pole occupants have formal contracts and appropriate pole user charges are being paid                      | All contracts signed by 30 June 2010              | Pole occupants without existing user rights have paid their contractual rental charges. Occupants claiming existing user rights do not yet have contracts due to unresolved differences in interpretation of legislation. |
| GWRC funding agreement completion   | Contract signed by 1 July 2009                    | Agreement not signed but currently on course to sign by 30 September 2010.  |

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| <b>Performance Indicator</b>  | <b>Target</b>   | <b>Result</b>  |
|---|---|--|
| Performance requirements in GWRC funding agreement  | Payments made in accordance with agreed funding levels and no complaints from GWRC                | Payments made according to agreed Budget.<br><br>As discussed above, no funding agreement is in place yet. |
| Compliance with appropriate regulations and statutes  | No adverse comments from relevant regulatory authorities  | Achieved   |
| Budgetary requirements approved by the WCCL Board are met   | Within 10% or Board approved variance   | Achieved   |
| Board delegations are adhered to  | Board and management approvals of commitments and expenditure are in accordance with policy       | Achieved   |
| Company risks and vulnerabilities are maintained at an acceptable limit and identified in the Risk and Vulnerability register | No risks and vulnerabilities not identified (and where possible mitigated to an acceptable limit) | Achieved   |

### **Passenger Numbers per Quarter:**

|  | <b>First Quarter</b> | <b>Second Quarter</b> | <b>Third Quarter</b> | <b>Fourth Quarter</b> | <b>Total</b> |
|--|----------------------|-----------------------|----------------------|-----------------------|--------------|
| Estimated passenger numbers on the Cable Car | 260,000              | 330,000               | 380,000              | 260,000               | 1,250,000    |
| Actual passenger numbers on the Cable Car    | 243,299              | 257,114               | 354,239              | 220,870               | 1,075,522    |
| Estimated % visitors against total trips     | 65%                  | 70%                   | 80%                  | 70%                   | 75%          |
| Actual % visitors against total trips        | 65%                  | 79%                   | 77%                  | 67%                   | 73%          |

### **Residents Satisfaction Survey:**

| <b>Question</b>   | <b>Target</b> | <b>Actual</b> |
|---|---------------|---------------|
| Have you used the Cable Car in the last 12 months?  | 30%           | 49%           |
| How do you rate the standard and operational reliability of the Cable Car? (Good/Very Good) | 95%           | 92%           |

### **3. Operations**

The Company has carried out the maintenance and repair activities detailed for 2009/10 in the 10 year Asset Management Plan. The primary focus has been on the replacement of collector wire which had been worn down to below

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acceptable thickness standards. Planned work was undertaken to replace significant lengths of thin contact wire in Brooklyn, Island Bay and Lyall Bay. In addition, a significant number of unplanned maintenance items were dealt with as a result of third parties and the operation of trolley buses. The Company has also continued to develop its overhead network maintenance database to improve efficiency and data quality for its maintenance programme.

In relation to the cable car operation, the NZTA has recently completed its annual safety assessment and granted the cable car's annual operating licence. The NZTA raised three conditions during this assessment, all of which are being addressed by the Company:

- Due to increasing amounts of corrosion becoming apparent, there is a programme underway to replace the exterior panels of the cable cars and to check the integrity of the internal framework.
- Council officers have negotiated with the new owner of the Everton Bridge property and there is a commitment to replace the bridge.
- The Board acknowledges that the Kelburn terminus requires substantial work to comply with safety standards. Given the benefits to visitors and locals from replacing the passenger area, and the fact that any repair work would still be costly (as it would require substantial demolition), the Board is considering a full replacement option.

Following a trial shuttle bus between the lower Botanical Garden and the Cable Car Kelburn terminus in January, the Company has committed to the purchase of two 8-seater, battery powered buses which it will operate during tourist season, beginning in December 2010.

### **Governance**

The Directors during the year were:

Roger Drummond (Chair)  
Jeremy Ward  
Christine Southey

Christine Southey's and Jeremy Ward's terms expire on 31 December 2010.

### **Key issues going forward**

#### **1. Forecast passenger trips**

Forecast results for cable car revenue are somewhat dependent on achieving visitor number targets, which, as seen in 2009/10, can be impacted by the economic environment and adverse weather conditions. The Company is targeting 1.146m passenger trips in 2010/11, in line with the 2008/09 result.

Fare income and passenger trip numbers will be impacted by the revised fare structure from 1 October 2010. Standard adult fares will increase from \$3 to \$3.50 (one way) and \$5 to \$6 (return).

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## **2. Kelburn terminal**

The Kelburn terminus requires substantial work to comply with safety standards and has been noted as an issue in the past two years by NZTA during their annual safety assessments. Because of the design of the building, substantial demolition would be involved in any repair work, making the cost of repairs relatively high. As a result, particularly given the area is the second most visited place in Wellington city and therefore the benefits to visitors and locals, the Board has resolved to proceed with a full replacement option provided that satisfactory funding arrangements can be made. This work will be timed to avoid peak tourist season and the Rugby World Cup.

## **3. Third party work**

2010/11 should continue to see a significant amount of third party work undertaken by the Company, due to two large projects in the Manners Mall development and the realignment of the Cobham Drive/Troy Street roundabout.

## **4. Overhead trolley bus network**

In 2010/11 the Company will continue to focus on the negotiations on a funding agreement with GWRC and the development of a policy to generate further revenue from third parties for the use of the overhead network.

## **Conclusion**

The Company had a good year. While the cable car had slightly lower passenger numbers than last year, fare income was above budget. In addition, third party work on the overhead trolley bus network contributed to a better than budget financial performance despite the challenging economic conditions. The Company also continued to work through the backlog of maintenance work required for the overhead trolley bus network.