



WELLINGTON CABLE CAR LIMITED

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17 February 2014

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

Dear Committee,

WCCL QUARTERLY REPORT (SECOND QUARTER OF 2013/14, TO 31 DECEMBER 2013) TO THE WCC TRANSPORT AND URBAN DEVELOPMENT COMMITTEE

1. Executive Summary

The second quarter for the 2013/14 year has continued to be a very busy but productive time for Wellington Cable Car Limited ("WCCL").

The highlight was the handover of the Kelburn terminus, and the Company is now planning for the opening ceremony on 27 February 2014. Despite the re-build still in progress, December was a busy month and everyone is looking at ways to recoup the reduction in cable car fare income arising from the rebuild and weather/earthquake events earlier in the year.

Management and staff have continued to become more active in the various key projects and initiatives which WCCL has underway, including the implementation of Snapper and also the prototyping of the network wide safety protection system for the Trolley Bus network. Agreement in principle was also reached with Transfield Services Limited (TSL) for the renegotiation of the Trolley Bus maintenance services provider contract for a further three years.

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 2, 2013/14					
	Overhead Division	Cable Car	External Activities	Corporate	WCCL Total
Budget	(56,000)	295,000	38,000	(86,000)	192,000
Actual	(58,000)	142,000	31,000	(129,000)	(1,000)
Variance	(2,000)	(154,000)	(7,000)	(43,000)	(193,000)

Financial Performance by Division – Year to Date 2013/14					
	Overhead Division	Cable Car	External Activities	Corporate	WCCL Total
Budget	(112,000)	319,000	76,000	(171,000)	112,000
Actual	(117,000)	110,000	74,000	(195,000)	(81,000)
Variance	(5,000)	(210,000)	(2,000)	(23,000)	(194,000)

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	251,893			
Variance	(51,820)	(40,407)			

3. Cable Car

The second quarter has been extremely busy given the focus on completing the Kelburn Terminus, along with progressing other projects, specifically the implementation of Snapper and the replacement of the passenger gates and point-of-sales ticketing system.

Kelburn Terminus

The Kelburn terminal construction project was handed over in December 2013 which was a pleasing and significant milestone for all involved. Steps are now in place for organising the opening ceremony on 27 February 2014, along with marketing for the new terminus and associated projects.

As noted in the first quarter report, the initial 2013/14 budget 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 also had a knock-on effect. As a result, there is a shortfall in cable car fare income of \$94,000 compared to the second quarter budget, meaning a shortfall of \$168,000 for the year to date. A further revenue shortfall of approximately \$106,000 for the rest of the 2013/14 year is projected however measures are being taken to reduce this and claw back passenger numbers. Now that the new facility is in place; a further re-forecast will be completed as part of the third quarter reporting.

Repairs and Maintenance

There has been additional expenditure incurred in the first two quarters of the 2013/14 year compared to the budget. This has primarily been in respect of work on the tunnels that had been initially scheduled and budgeted for the 2012/13 year but could not be completed within this timeframe due to higher priority taskings for the structural engineers due to the Christchurch earthquake rebuild and the number of seismic events in the Wellington area.

A new project in hand is the detailed review and updating of the current asset management plan for the Cable Car operation, potentially using WCC's SPM system which will assist in future long-term planning for asset management and also capital expenditure requirements, including the replacement of the electrical systems within the Cable Cars, but also the cars themselves.

Snapper – The Snapper implementation project has been progressing well, with a heads of agreement executed in December and regular meetings with Snapper since the New Year. All efforts are in place to have Phase 1 (introduction of readers in the Lambton Terminus) implemented by late February to link in with the commencement of the academic year for Victoria University.

Following Phase 1 completion, along with the replacement passenger gates study, it is planned to implement Snapper readers in the Cable Cars as well (Phase 2).

Passenger Gates – there have been a series of long-running, niggling operating issues with the gates and the ticketing system and WCCL has been working with the system supplier to resolve these, however the supplier (Centaman) has not been able to deliver the desired results. Given this, a project has been initiated to investigate the replacement of these gates, along with the Cable Car point of sale system for the 2014/15 financial year, and a small contract has been placed with Beca to carry out this investigation.

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. During the second quarter extensive work was undertaken in respect of negotiations with TSL for the provision of a further contract through to 30 June 2017.

It is pleasing to say that the negotiations were successful and an agreement in-principal was reached prior to Christmas, and the contractual drafting is currently underway with a planned execution by the end of February. This has achieved a reduction of approximately \$750,000 in the anticipated increase of the contract price over the 3-year term.

Trolley Bus Projects

As with the Company as a whole, the second quarter of 2013/14 has continued to be 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 continuing to develop a prototype to test on the network which is now scheduled to be installed in March 2014 given technical amendments that needed to occur. 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.

This project was initially budgeted to be completed in the current financial year, however given the delay in the completion of the prototype, this has been re-forecast to be implemented and completed in the 2014/15 year.

Karori / Hataitai Network Section Replacement Projects - GWRC has approved the business cases for these projects, specifically the replacement of Stage 3 of the Karori route, and also 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.

These projects have now been commenced, and WCCL is endeavouring to have the majority, if not the entire projects completed by the end of the 2013/14 financial year.

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 and would also welcome the opportunity to work with WCC in relation to any work undertaken on the Wellington Region transport study given the recent decision announced on 05 February 2014 to favour Bus Rapid Transit over Light Rail by the Wellington region Mayors.

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.

5. Other Activities

Company Administration Costs

Given the replacement of the CEO at WCCL and the commencement of the number of significant and strategic projects for the Company, there have been additional costs incurred over that originally budgeted for the current year; these include legal costs in relation to the statutory obligations of the Company and also recruitment costs for the new CEO, Simon Fleisher. A further review and re-forecast of these expenses will take place as part of the Quarter 3 report.

Income Tax

Historically, WCCL has satisfied its income tax liability by way of a subvention payment/loss offset with WCC. It is envisaged that this will occur for the 2013/14 income year. As a result of accounting treatment, this has always been recorded a year in arrears (being when the physical payment was made to WCC).

In order to align the tax expense to the year in which the profit relates, WCCL has re-forecast to include both the 2012/13 subvention payment and also an accrual for the 2013/14 subvention payment in its current year financial results. This will only effect the 2013/14 year in this way.

Health and Safety

The Board and Management of WCCL see Health and Safety as a key area of the Business. As a result, an external consultant was engaged in the first quarter to review the current policy and processes. This also ensures 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 will be finalised in the near future.

Human Resources

WCCL engaged an external party to assist with the remuneration review of all management. As a result of this process, remuneration was reviewed and adjusted in the current quarter.

With respect to Cable Car drivers, their annual remuneration review has taken place and is being implemented in mid-February.

2014/15 Statement of Intent / Business Plan

Given the new CEO and the pending changes in governance at WCCL, a detailed review and update of the Statement of Intent is being undertaken.

This project is progressing well with the initial working draft having been completed and circulated for comments, and WCCL is on schedule to complete these documents within the requested timeframe by WCC.

Annual General Meeting

The Company held its first public Annual General Meeting (in respect of the 2012/13 year) prior to the next Board meeting on 12 December 2013. The meeting was extremely positive and was attended by Maree Henwood from WCC.

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)

Wellington Cable Car Limited - Business Plan
Profit and Loss for the year ending 30 June 2014
As at 31 December 2013

	Actual	Budget	Variance		Actual	Budget	Variance		Actual	Budget	Variance		Budget
	2014 - Qtr 1	2014 - Qtr 1	2014 - Qtr 1		2013 - Qtr 2	2013 - Qtr 2	2013 - Qtr 2		2014 - YTD	2014 - YTD	2014 - YTD		2013 / 2014 - Total
	\$000	\$000	\$000		\$000	\$000	\$000		\$000	\$000	\$000		\$000
OVERHEAD DIVISION													
Income	720	2,233	(1,513)		1,017	2,233	(1,215)		1,737	4,465	(2,728)		8,930
Contractor Operations Costs	347	374	27		355	374	19		703	748	46		1,496
Wellington Cable Car Operations Costs	247	239	(7)		226	239	13		473	478	6		957
Total Operating Expenses	594	613	20		581	613	32		1,175	1,226	51		2,453
Operating Surplus/Loss before Replacements	126	1,619	(1,493)		436	1,619	(1,184)		562	3,239	(2,677)		6,477
Reactive Maintenance	97	120	23		110	120	11		207	240	34		481
Contact Wire Replacements / Rentensions	0	0	0		0	0	0		0	0	0		0
Pole Replacements	1	94	92		41	94	52		43	188	145		375
Feeder Pillar Replacements	0	24	24		0	24	24		0	48	48		96
Special Works Replacement	22	23	1		14	23	9		36	45	9		90
Business Case Items	0	1,359	1,359		273	1,359	1,086		273	2,718	2,445		5,436
Total Replacements	120	1,619	1,499		438	1,619	1,182		558	3,239	2,681		6,477
Total Maintenance & Replacement Cost	120	1,619	1,499		438	1,619	1,182		558	3,239	2,681		6,477
Depreciation	65	56	(9)		56	56	(0)		121	112	(9)		224
Total Expenses	778	2,288	1,510		1,075	2,288	1,213		1,853	4,577	2,723		9,154
Overhead Overall Surplus / (Loss)	(59)	(56)	(3)		(58)	(56)	(2)		(117)	(112)	(5)		(224)
COMPANY ACTIVITIES DIVISION													
Cable Car Income	338	412	(74)		590	684	(94)		928	1,096	(168)		2,355
Cable Car Operations	185	205	19		212	205	(7)		397	409	12		818
Cable Car Maintenance	140	144	4		194	144	(50)		334	287	(46)		575
Depreciation	43	41	(2)		41	41	0		84	82	(2)		164
	368	389	21		446	389	(57)		815	778	(36)		1,557
Electric Bus Income	0	11	(11)		0	11	(11)		0	22	(22)		44
Electric Bus Operations	0	2	2		0	2	2		0	4	4		8
Electric Bus Maintenance	2	8	6		2	8	6		4	16	12		32
	2	10	8		2	10	8		4	20	16		41
Cable Car Operating Surplus / (Loss)	(32)	24	(56)		142	295	(154)		110	319	(210)		802

Wellington Cable Car Limited - Business Plan
Profit and Loss for the year ending 30 June 2014
As at 31 December 2013

	Actual	Budget	Variance		Actual	Budget	Variance		Actual	Budget	Variance		Budget
	2014 - Qtr 1	2014 - Qtr 1	2014 - Qtr 1		2013 - Qtr 2	2013 - Qtr 2	2013 - Qtr 2		2014 - YTD	2014 - YTD	2014 - YTD		2013 / 2014 - Total
	\$000	\$000	\$000		\$000	\$000	\$000		\$000	\$000	\$000		\$000
EXTERNAL ACTIVITIES													
3rd Party Services Net Contribution	2	2	0		(8)	2	10		(6)	4	10		8
External Pole Work Net Contribution	0	0	0		0	0	0		0	0	0		0
3rd Party Overhead Projects Net Contribution	0	0	0		5	0	(5)		5	0	(5)		0
Sundry External Income	41	36	(5)		34	36	2		76	72	(3)		145
External Activities Operating Contribution Surplus / (Loss)	43	38	(5)		31	38	7		74	76	2		152
Total Company Activities Operating Contribution Surplus / (Loss)	11	62	51		173	334	161		184	396	212		954
Administration Expenses	66	86	20		129	86	(43)		195	171	(23)		345
Company Activities Division Operating Surplus / (Loss)	(55)	(24)	(31)		44	248	(204)		(11)	224	(235)		609
WELLINGTON CABLE CAR - TOTAL SURPLUS / (LOSS) BEFORE TAX	(114)	(80)	(34)		(14)	192	(206)		(127)	112	(240)		385
Tax Expense	(33)	0	(33)		(13)	0	(13)		(46)	0	(46)		0
Subvention Payment	0	0	0		0	0	0		0	0	0		122
WELLINGTON CABLE CAR - TOTAL SURPLUS / (LOSS) AFTER TAX	(80)	(80)	(1)		(1)	192	(193)		(81)	112	(194)		263
	0	0	0		0	0	0		0	0	0		263
The Total Surplus / (Loss) After Tax Consists of:													
Total Income	1,115	2,706	(1,591)		1,675	2,978	(1,303)		2,790	5,684	(2,894)		11,532
Total Expenditure	(1,195)	(2,786)	1,591		(1,676)	(2,786)	1,110		(2,871)	(5,572)	2,701		(11,269)
	(80)	(80)	(1)		(1)	192	(193)		(81)	112	(194)		263

**Wellington Cable Car Limited
Statement of Financial Position
As at 31 December 2013**

	Year to Date 2013/14		Year to Date 2012/13	
	\$	\$	\$	\$
ASSETS				
Current Assets				
Bank Accounts Total	1,575,001		2,412,148	
Inventory	868,035		935,448	
WIP	102,458		347,041	
Accounts Receivable less Provision	487,540		414,626	
Sundry Debtors & Prepayments	164,816		211,880	
RWT Deductions	10,928		13,987	
Total Current Assets		3,208,778		4,335,131
Fixed Assets				
Cable Car & Civil Works				
Cable Car Equipment (2%)	3,032,920		3,048,115	
Cable Car Equipment (10%)	362,363		360,191	
Cable Car Tracks & Wires	1,379,291		1,379,291	
Furniture & Fittings	61,238		53,482	
Computer Equipment	254,221		253,565	
Computer Software	122,368		122,079	
Overhead Equipment	79,506		79,506	
Overhead Wire System	3,303,804		4,165,710	
Overhead Motor Vehicles	269,427		298,057	
Fixed Asset Clearing Account	2,017,636		785,203	
Accumulated Depreciation	(5,090,355)		(4,891,703)	
Total Fixed Assets		5,792,420		5,653,495
TOTAL ASSETS		9,001,197		9,988,626
LIABILITIES				
Current Liabilities				
Accounts Payable	349,107		295,867	
Accruals	706,353		1,065,945	
GST TOTAL	10,903		25,465	
PAYE Suspense	14,777		21,380	
Prebilled charges TOTAL	(52,717)		(64,252)	
Current Portion of Term Liabilities				
Total Current Liabilities		1,028,422		1,344,406
Non Current Liabilities				
Provision for Income Tax	(45,991)		27,281	
Deferred Tax Liability	459,532		730,433	
Telecom Lease/Rentals	8,482		11,344	
Total Non Current Liabilities		422,023		769,058
Ostendo Clearing Accounts				
Descriptor Expenses	10,444		163,111	
Purchase Receipts	(1,510)		44,658	
Sales Clearing Account	207			
Ostendo - Misc				
Total Ostendo Clearing Accounts		9,141		207,769
TOTAL LIABILITIES		1,459,587		2,321,234
NET ASSETS		7,541,611		7,667,393
SHAREHOLDER'S FUNDS				
Ordinary Shares	7,434,846		7,434,846	
Retained Earnings	282,585		38,378	
Revaluation Reserve			176,000	
Tax on Equity items				
Less: Dividend Paid	(94,380)		(104,380)	
Current Year Earnings	(81,440)		122,549	
TOTAL SHAREHOLDER'S FUNDS		7,541,611		7,667,393

Wellington Cable Car Company Limited
Statement of Cash Flows
For the Period ended 31 December 2013

	31 December 2013
Cash flows from operating activities	
<u>Cash was received from:</u>	
Operating receipts	3,711
<u>Cash was disbursed to:</u>	
Payments to suppliers and employees	(3,747)
Payment of Tax	(11)
Subvention Payment	-
GST	(80)
Net cash inflow / (outflow) from operating activities	<u>(126)</u>
Cash flows from investing activities	
<u>Cash was received from:</u>	
Investments	-
Interest received	43
Sale of Fixed Assets	
<u>Cash was applied to:</u>	
Purchase of fixed assets	(997)
Net cash inflow / (outflow) from investing activities	<u>(954)</u>
Cash flows from financing activities	
<u>Cash was received from:</u>	
Term Loan	-
<u>Cash was applied to:</u>	
Payment of Dividend	(0)
Term Loan	-
Net cash inflow/(outflow) from financing activities	<u>(0)</u>
Net Increase/(decrease) in Cash held	(1,080)
Opening Cash Balance	2,655
Closing Cash Balance	<u><u>1,575</u></u>

**Reconciliation of Net Surplus/(Deficit) before Taxation with
Cash inflow from operating activities for the Period Ended 31 December**

Net Profit/(Loss) before tax

Add non cash items:

Movement in provision for impairment of doubtful debts

Depreciation

Impairment/revaluation

(Gain)/Loss on Assets sold/disused

Add / (deduct) movements in Working Capital:

(Increase) / Decrease in accounts receivable & other assets

Increase / (Decrease) in accounts payable & other accruals

(Increase) / Decrease in inventory

Add / (deduct) investing activities:

Net (gain) / loss on sale of assets

Net (receipt) / payment interest income

Net receipt / (payment) withholding tax

Net (receipt) / payment Subvention Payment

Net (receipt) / payment Income Tax

Add / (deduct) Financing activities:

Net receipt / (payment) of Dividend

Net (receipt) / payment of Finance Leases

Net cash inflow from operating activities