

6. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED

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| Corporate Plan Output: Trading activities monitoring | |

The purpose of this report is to provide information to the Council on recent activities of Christchurch City Holdings Limited ('CCHL'), and to make recommendations on any matters arising.

1. CCHL

1.1 Updated budget

The Board approved an updated, multi-year budget for the CCHL parent company. In many ways, it is a transitional budget, as the disposition of the Orion gas network sale proceeds has not yet been established. In the meantime, the budgeted dividend stream from Orion reflects the benefit of the surplus cash balances currently held by Orion.

The updated budget also reflects improved dividends from Christchurch International Airport Limited and Lyttelton Port Company Limited.

1.2 Statement of Corporate Intent

A draft Statement of Corporate Intent for the CCHL parent company has been approved by the Board for submission to the Council, and has been separately circulated to Councillors.

Its content is broadly similar to the previous year's. It does, however, contain reference to the study currently being undertaken by CCHL into the financial implications for the group of the disposal by Orion of the North Island gas network. It also contains updated financial projections and associated commentary, and some new consolidated financial performance measures.

Recommendation: That the Council approve CCHL's draft Statement of Corporate Intent for the year ending 30 June 2001.

1.3 Orion gas sale proceeds review

CCHL is continuing work on evaluating the implications for the group of the gas network sale. Tasks in progress include:

- Completion of detailed consolidated financial projections for the CCC and CCHL groups;
- Preliminary discussions with Standard & Poor's;
- Construction of detailed scenarios to assess potential impact on group debt levels and credit rating;

- Liaison with Orion;
- Categorisation, in liaison with Canterbury Development Corporation, of local industry and sector leaders, with a view to identifying key barriers to economic growth;
- Development of a model for the evaluation of specific investment proposals;
- Development of a detailed project plan.

2. **ORION GROUP LIMITED**

2.1 **Strategic Review**

Following the sale of its North Island gas network, and related assets, Orion has also commenced an in-depth strategic review of its operations with a view to establishing the future nature and extent of its activities.

CCHL has approved a table of milestones provided by Orion, which provides for a final investment strategy to be submitted for approval to Orion's shareholders in December 2000. There is provision for on-going consultation with CCHL in the intervening period.

The proposed timetable will enable Orion's proposals to be considered in conjunction with the work being performed concurrently by CCHL and the Council, and for an overall set of proposals to be formulated for public consultation (possibly as part of next year's Financial Plan round).

2.2 **Ministerial Inquiry into the Electricity Industry**

The Inquiry, headed by David Caygill, reported its findings to the Ministry of Energy on 12 June. Orion management has briefed CCHL on the report, and the potential implications for Orion.

Key recommendations of the report included:

- The industry should develop a mandatory governance structure covering all sectors within twelve months;
- A majority of the governance Board should be independent of the electricity industry;
- All line assets should be revalued on a one-off basis, and future valuation methodologies mandated;
- The Commerce Commission should take over the information disclosure role;
- The Commerce Act should be amended to allow price control on individual companies;

- The Commerce Commission should develop thresholds to determine the need for control, using output performance measures such as price and quality rather than rate of return;
- An ombudsman scheme should be developed by the industry within six months (this is already in progress);
- Fixed charges should be capped at 25% of a typical household bill. This equates to some 60 cents a day (Orion's is currently 10 cents).

Orion has broadly welcomed the findings of the Inquiry, and is actively working as a major industry participant to respond to the challenge laid down by the Inquiry.

3. LYTTELTON PORT COMPANY LIMITED

3.1 Statement of Corporate Intent ('SCI')

Lyttelton Port Company Limited ('LPC') has submitted a draft SCI for the forthcoming financial year. The Statement has been separately circulated to Councillors. The content, while relatively constricted given LPC's listed company status, is consistent with previous years. LPC provides regular financial information and management commentary to CCHL under the terms of a confidentiality agreement, and CCHL is satisfied with LPC's commercial performance and strategic direction. It has also noted initiatives that LPC is taking to enhance relations with the local community. CCHL resolved that the SCI be approved for submission to the Council.

- Recommendation:**
1. That the Council approve LPC's draft Statement of Corporate Intent for the year ending 30 June 2001, subject to the Lyttelton Port Company being requested to expand the relationships section of the SCI, with particular reference to:
 - Port users (commercial, non-commercial and recreational)
 - Employees
 - Residents of Lyttelton
 - The wider Canterbury community
 2. That the Council investigate the inclusion in the Statement of Corporate Intent of each LATE of a statement which would assist in advancing Christchurch as a sustainable city and incorporating the triple bottom-line concept, from 2001.

(Note: Councillor Howell abstained from the discussion and voting on the above matter.)

4. **CHRISTCHURCH CITY FACILITIES LIMITED ('CCFL')**

4.1 **Statement of Corporate Intent ('SCI')**

CCFL has submitted a draft SCI for the forthcoming financial year. The Statement has been separately circulated to Councillors. The content is broadly similar to the previous year's, although it is noted that forecast operating results are down on those previously projected following the firming up of projections by NCC.

CCHL has resolved to submit the draft SCI to the Council for approval.

Recommendation: That the Council approve CCFL's draft Statement of Corporate Intent for the year ending 30 June 2001.