

## 8. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED

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The purpose of this report is to recommend the adoption of a number of Statements of Intent ('Sols') from the Council's CCTOs (Council-controlled trading organisations) and other subsidiaries, copies of which have been separately circulated to all Councillors.

### **CCHL PARENT COMPANY Sol**

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

While the content is broadly similar to the previous year's, there are a few changes including:

- Reference to the proposed Pratt & Whitney transaction (still in the process of negotiation at the time of writing);
- Inclusion of a corporate governance statement, as required by the Local Government Act 2002;
- Inclusion of a new objective in the Statement of Service Performance relating to corporate governance;
- Deadlines for subsidiary Sols in 2004 brought forward to 1 March to comply with new Local Government Act deadlines.

The forecast dividends to the Council have reduced from previous forecasts to reflect a lower level of dividends from City Care Ltd, following that company's recent agreement with the Council to reduce its prices in return for a three year extension to certain of its contracts. The reduced dividends are more than offset by the direct savings to the Council.

**Recommendation:** That the Council approve the Christchurch City Holdings Ltd Sol.

### **CHRISTCHURCH INTERNATIONAL AIRPORT LTD ('CIAL') Sol**

CIAL Board and management representatives recently met with CCHL to outline the strategic direction of the company. The subsequently-released Sol has been separately circulated to Councillors.

The Sol's format and content is fairly similar to last year's, the main change being the inclusion of a corporate governance statement.

The Sol notes the difficult trading environment in which the company is operating, with the travel industry struggling from successive shocks in recent years including the failure of the Ansett new Zealand domestic operations, the September 11 terrorist attacks, the Iraq war and, most recently, the SARS epidemic. Additionally there is uncertainty regarding Air New Zealand's future, and other key airline customers have rationalised services. However, the company has a strong balance sheet, and is well placed to weather a temporary downturn.

**Recommendation:** That the Council approve the Christchurch International Airport Ltd Sol, and that the Board and management of CIAL be congratulated on the company's continuing profitability in the face of a difficult trading environment.

### **LYTTELTON PORT COMPANY LTD ('LPC') SCI**

LPC Board and management representatives recently met with CCHL to present their draft annual Statement of Corporate Intent ('SCI') for 2003/04, and to outline the strategic direction of the company. The SCI has been separately circulated to Councillors.

Port companies are excluded from the definition of a CCTO under the Local Government Act 2002, and hence LPC's SCI is prepared on the same basis as last year (in particular, it is still referred to as a Statement of Corporate Intent rather than a Statement of Intent, and there is no governance statement). The SCI is required by the company's constitution rather than by statute.

The SCI is very similar in format and content to previous years. While Stock Exchange Listing Rules and securities legislation effectively prevent the company from including forecast financial information in the SCI, it is considered that within these constraints, the document appropriately reflects the priorities of LPC and its shareholders.

**Recommendation:** That the Council approve the Lyttelton Port Company Limited SCI.

#### **CITY CARE LTD ('CCL') Sol**

CCL Board and management representatives recently met with CCHL to present their draft annual Sol for 2003/04, and to outline the strategic direction of the company. The Sol has been separately circulated to Councillors.

There are no major changes in content, other than the inclusion of a corporate governance statement and some additional non-financial performance measures relating to various standards and accreditations.

Forecast revenues have increased in relation to previous projections, mainly as a result of additional work won. However, profits and dividends have been impacted by the recent agreement with the Council to reduce prices on certain contracts in return for an extension of their terms.

**Recommendation:** That the Council approve the City Care Ltd Sol, and that the Board and management be congratulated on the direction and performance of the company.

#### **JADE STADIUM LIMITED ('JSL') Sol**

JSL Board and management representatives recently met with CCHL to present their draft annual Statement of Intent ('SCI') for 2003/04, and to outline the strategic direction of the company. The Sol has been separately circulated to Councillors.

The Sol has been significantly revised from previous versions, and sets out the company's objectives and performance measures in a comprehensive manner. The company is on track to meet its forecasts.

**Recommendation:** That the Council approve the Jade Stadium Ltd Sol.

#### **CHRISTCHURCH CITY FACILITIES LIMITED ('CCFL') Sol**

CCFL Board and management representatives recently met with CCHL to present their draft annual Sol for 2003/04, and to outline the strategic direction of the company. The Sol has been separately circulated to Councillors.

The financial projections indicate that the company will continue to make operating surpluses before depreciation, but still anticipate net deficits after depreciation of around \$2.6 million per annum. In the medium term, the company is forecast to become more profitable.

**Recommendation:**

1. That the Council approve the Christchurch City Facilities Ltd Sol.
2. That the Council's congratulations be conveyed to Mr Mike Kelly (Executive Director, NCC (NZ) Ltd) on his recent election to the position of President-Elect of the International Association of Assembly Managers.

#### **SELWYN PLANTATION BOARD LIMITED ('SPBL') Sol**

SPBL Board and management representatives recently met with CCHL to outline the strategic direction of the company. The subsequently-presented Sol has been separately circulated to Councillors.

The Sol provides a good overview of the company's objectives and performance measures. It will be noted that the company has achieved a sustainable harvest yield of some 176,000 tonnes per annum (this includes some third party harvesting). The Sol refers to a 2002 forest valuation, which is the most recent completed valuation available. A comprehensive revaluation of the forest resource is currently being undertaken which, when completed, is expected to result in a write-down.

**Recommendation:** That the Council approve the Selwyn Plantation Board Ltd Sol.