

Officer responsible Chairman, Christchurch City Holdings Ltd	Authors Bob Lineham, Richard Simmonds
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 certain matters arising.

1. CCHL PARENT COMPANY

1.1 Banking Arrangements

Following a competitive tender process, WestpacTrust and National Bank have been jointly appointed to handle the re-financing of CCHL's debt, the long term portion of which expires on 2 July 1999. The new borrowing programme will primarily comprise three or five year bonds, and there will also be a short term facility. Documentation and security will be simpler and less onerous than the existing arrangements.

Standard & Poor's are in the process of performing their periodic re-evaluation of the Council's and CCHL's credit rating.

1.2 Director Training

A CCHL Board subcommittee has been established to consider and prepare a director training programme, in conjunction with the Institute of Directors. It is intended that this training be available to all directors of Council-owned companies, and Councillors in general.

2. ORION

2.1 Statement of Corporate Intent

In mid-April 1999, an evening meeting was held between the Orion and CCHL Boards, at which current issues, including a number raised by CCHL in advance, were discussed in depth. This meeting was arranged as a precursor to the draft Statement of Corporate Intent ('SCI') issued by Orion.

On 3 May 1999, the CCHL Board considered the Orion's draft SCI, and raised a number of issues in writing for Orion's attention. These were discussed in detail at a meeting of Orion and all of its shareholders on 5 May. Orion tabled a revised SCI at the meeting, reflecting the matters raised by CCHL. Some further changes were made on the basis of discussion at the meeting.

Examples of issues raised by CCHL include the relationship of the accounting return on the network to Orion's weighted average cost of capital, consultation procedures, pricing assumptions, security and reliability of supply, Year 2000 computer issue and various others.

CCHL considers that the revised Orion SCI (attached) now meets the needs of its shareholders, and recommends that it be approved by the Council.

Recommendation: That the Orion SCI be approved by the Council.

2.2 **Capital Repatriation**

It appears that, as the result of delays in obtaining binding rulings from the IRD, the final stage of the capital repatriation from Orion to CCHL will not be completed until around September.

The Council's and CCHL's budgets have been revised to reflect this delay.

3. **CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED**

3.1 **Special Dividend**

Following a review by independent advisers, CIAL has informally advised that its capital structure is sufficiently flexible to permit the payment of a special dividend of \$30 million to its shareholders. This is consistent with the findings of an analysis performed concurrently by CCHL staff. CIAL are likely to confirm the dividend in their Statement of Corporate Intent, which is expected shortly. The payment will be made once a binding ruling has been received from the Inland Revenue Department regarding any tax consequences.

3.2 **Directors**

The appointment of Councillor Sheriff in place of Councillor Fahey as director of CCHL was confirmed at the Half Yearly Meeting of Shareholders on 1 March 1999.

4. **LYTTELTON PORT COMPANY LIMITED**

No significant matters to report.

5. **REDBUS LIMITED**

5.1 **Directors**

Mr David Spence, as previously advised, retired as Chairman on 31 March 1999, and was succeeded by Mrs Ann Urlwin.

The CCHL Board, in conjunction with Mrs Urlwin, has reviewed the mix and number of directors on the Redbus Board. Previously it had been envisaged that the number of directors would drop to four once Mr Craig Boyce's interim appointment expired at the next AGM. However, it was concluded that it would be desirable to keep the number of Board members at five for at least a year or so while the company works its way through a number of key issues. It was also concluded that very strong commercial skills on the Board were essential, particularly during this period.

Consequently, CCHL believes there would be merit in extending Mr Boyce's term as director for the full three years, and is also continuing to seek suitably-qualified applicants for a fifth position.

Recommendation: That the Council approve the extension of Mr Boyce's appointment to the Redbus Limited Board for a further two years.

5.2 Appointment of Chief Executive Officer

The Chairperson of has advised that Mr Greg Campbell has been appointed as the new Redbus Limited Chief Executive. He will commence with the company in July.

6. SELWYN PLANTATION BOARD LIMITED

6.1 Draft Statement of Corporate Intent

SPBL recently presented their draft SCI (copy attached). This was considered by CCHL at their meeting on 3 May, at which a question and answer session was held with the SPBL Chairman, Mr Doug Marsh.

CCHL is satisfied that the SCI is appropriate, and recommends its approval by the Council.

Recommendation: That the Council approve the draft SCI from SPBL.

Chairman's

Recommendation: That the above recommendations be adopted.