

9. 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 PARENT COMPANY

1.1 Loan Agreement with the Council

The final form of a standard loan agreement between CCHL and the Council was considered and approved by the Board. This will enable CCHL to finance future funding requirements of the Council, although it does not preclude the Council from using alternative sources of borrowing.

Two short term advances have since been made by CCHL to the Council in February under the new agreement – one for \$800,000 in respect of the Council's subscription for shares in Jade Stadium Limited, and one for \$8,800,000 in respect of the Council's subscription for shares in the expanded Canroad Construction Limited.

1.2 Interim Dividend

CCHL paid a fully-imputed interim dividend of \$20,000,000 to the Council in January. The budgeted total ordinary dividend for the current financial year is \$30,000,000.

1.3 Half Yearly Financial Statements

CCHL consolidated and parent company financial statements for the six months ended 31 December 1999 have been separately circulated to Councillors.

Recommendation: That the half yearly CCHL report be received and noted.

2. ORION GROUP LIMITED

2.1 North Island Gas Assets

Over recent weeks, Orion has been conducting due diligence with prospective purchasers of the North Island gas network assets, and evaluating bids.

If a satisfactory price is obtained for these assets, the sale is expected to take place in late March. Orion will need to consider the amount of debt that is to be reduced, and it is likely to be some time before the funds become available. CCHL will consider all the issues and report to the Council with a recommendation on the application of the proceeds in due course.

2.2 **Capital Repatriation**

Orion is still awaiting a binding ruling from the Inland Revenue Department before it completes the final stage of its previously-announced capital repatriation. CCHL is dependent on receiving this final tranche before it can complete its own return of capital to the Council.

2.3 **Ernst & Young Analysis of Lines Businesses**

Ernst & Young have recently published their annual review of publicly-disclosed performance information on New Zealand's thirty electricity lines companies.

The analysis indicates that Orion is the lowest cost network business in New Zealand on a cost per customer basis, has a high reliability factor, and is in the mid-range in terms of revenue per unit of electricity sold. Its rate of return is considered to be in line with appropriate commercial returns based on an industry weighted average cost of capital.

3. **CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED**

3.1 **Half Yearly Report**

CIAL recently presented its half year report for the period to 31 December 1999 to CCHL. This indicates that the company is trading successfully, and that international passenger numbers through the airport are continuing to grow. Domestic passenger numbers also grew for the first time in three years.

4. **LYTTELTON PORT COMPANY LIMITED**

4.1 **Half Yearly Report**

LPC recently presented its six monthly report for the period to 31 December 1999 to CCHL. This indicated that the company was trading successfully, with continuing growth in container, coal and other trades.

5. **RED BUS LIMITED**

5.1 **Half Yearly Report**

Red Bus recently presented its six monthly report for the period to 31 December 1999 to CCHL. This indicates that the company is trading profitably, although additional costs incurred in respect of fleet refurbishment and re-branding, and from higher depreciation following a revaluation of the bus fleet, have resulted in a reduction of profits compared with the previous equivalent financial period.

Chairman's

Recommendation: That the information be received.