

16. 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.

CCHL

Half Yearly Financial Statements

The CCHL group and parent company financial statements for the six months ended 31 December 2000 (copy attached) were approved by the Board on 12 March.

The group results include the impact of the sale by Orion of its North Island gas network and related assets. This has significantly impacted the group financial statements in terms of:

- A non-recurring gain on sale of \$182 million;
- Reduced ongoing operating revenues and related costs;
- Very high (temporary) cash holdings, prior to return of capital to shareholders;
- Reduced debt and interest expense;
- Reduced fixed assets and goodwill.

The results reflect continuing solid performances by the trading subsidiaries, and a positive outlook for the remainder of the year.

Financing

CCHL has issued bonds of \$25 million to re-finance existing advances by CCHL to the Council in respect of the Jade Stadium redevelopment project and Council equity investments in LATEs. The bonds have a maturity of three years, and were issued at a yield of 6.37%.

Further CCHL debt, in the form of short-term commercial paper, will be issued later in the year to lend to the Council to fund the ongoing capital requirements of Jade Stadium Limited during the construction phase. On completion of the development project, it is intended to refinance the debt with a long term borrowing arrangement, with Jade Stadium Limited then making periodic repayments of principal and interest over a period of 17 years.

Local Government (Elected Member Remuneration and Trading Enterprises) Amendment Bill ('the Bill')

The CCHL Board has made a submission to the Government Select Committee considering the Bill. CCHL has concerns about the potential impacts of the Bill on the good working relationships between CCHL and its subsidiary companies.

The Bill makes information held by CCHL (and all other LATEs) subject to the official information provisions contained in the Local Government Official Information and Meetings Act 1987.

This has the potential to cause difficulties where information is held by CCHL about subsidiaries where those subsidiaries are not technically LATEs (i.e. because they were set up under their own industry-specific legislation), and hence not subject to the official information provisions themselves. This may well have the effect of impeding information flows from these companies to CCHL. This, in turn, would reduce accountability and control, which is precisely the opposite of the result the Bill is presumably attempting to achieve.

CCHL's submission is that an additional clause be inserted into the Bill providing an exemption to the official information requirements where information is supplied subject to a confidentiality undertaking by a non-LATE subsidiary to a LATE.

ORION

Investments

As part of its expanding technology focus, Orion has made a significant investment of \$6.5 million in New Zealand company 4RF Communications Ltd, with an opportunity of further investment in the future. 4RF's technology is considered to be world leading, and offers digital microwave radio products that create opportunities for telcos, cellular networks and competitive local exchange carriers around the world to transport voice, data, Internet, LAN and multimedia at lower price points with faster installation, easy turn-up and lower ongoing costs.

Another Orion investment, TransFlux Developments Ltd, has received an initial contract worth more than \$100,000 to supply electric fluid heating technology to South America. This order is expected to be followed up by a significant number of further orders as the year progresses. All the units are being manufactured and assembled in Christchurch and shipped as turn-key units to the client in Chile.

CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED ('CIAL')

Half Yearly Report to 31 December 2000

CIAL have issued their half yearly report to 31 December 2000. Points of note include:

- Net profit after tax of \$6.6 million, compared with \$6.7 million in the previous equivalent period;
- Continuing strong growth in passenger numbers, with both international and domestic for the six months increasing by 8.1%;
- Gross revenues up \$1.6 million, with strong performance in the duty-free and rental vehicle areas;
- Increased interest costs resulting from the re-gearing of the company last year;
- Sale of the Antarctic Visitors Centre business (although CIAL has retained ownership of the land and buildings and entered into a long term lease with the new owner).

LYTTELTON PORT COMPANY LIMITED ('LPC')

Half Yearly Report to 31 December 2000

LPC have issued their half yearly report to 31 December 2000. Points of note include:

- Net profit after tax of \$6.6 million, compared with \$7.1 million in the previous equivalent period;
- 25% increase in coal volumes to 867,000 tonnes for the half year;
- Memorandum of Understanding signed with Solid Energy for continued coal exports through Lyttelton;
- 3% increase in container volumes through the Lyttelton Container Terminal;
- Increasing competition between ports for container business;
- Continued development of LPC's e-commerce capability;
- Increased costs (in particular, fuel and dredging) have impacted the result for the period.

RED BUS LIMITED

Half Yearly Report to 31 December 2000

Red Bus have issued their half yearly report to 31 December 2000. Points of note include:

- Net profit after tax of \$714,000, compared with \$488,000 in the previous equivalent period;
- Patronage growth, arising primarily from increases in fuel prices discouraging private vehicle use, patronage initiatives by Red Bus and increased service and frequency levels specified by Environment Canterbury.

In the January 2001 tender round for services commencing in April 2001, the company was successful in winning all of the tenders.

CITY CARE LIMITED

Half Yearly Report to 31 December 2000

City Care have issued their half yearly report to 31 December 2000. Points of note include:

- Net profit after tax of \$1.25 million (comparative figures are not meaningful as the transfer of the Council's Works Operations unit only took place in December 1999);
- Acquisition of the Council's City Maintenance Services division in December 2000;
- Strong financial position, with no debt and total assets of \$16.7 million;
- Positive outlook for the remainder of the current financial year.

CHRISTCHURCH CITY FACILITIES LIMITED ('CCFL')

Half Yearly Report to 31 December 2000

CCFL have issued their half yearly report to 31 December 2000. Points of note include:

- Net deficit after tax of \$2.4 million (compared with a net deficit for the full year ended 30 June 2000 of \$3.7 million);
- Shareholder's equity of \$45.9 million.

Chairman's

Recommendation: That the information be received.