



Report 06.141
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Committee Policy, Finance and Strategy
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WRC Holdings Group 2006/07 Draft Statement of Intent

1. Purpose

To receive the draft Statement of Intent (SOI) of the WRC Holdings Group for 2006/07 and the following two years (refer **Attachment 1**).

2. Significance of Decision

The matters in this report do not trigger the Significance Policy at the Council or otherwise trigger section 76 (3) (b) of the Local Government Act 2002.

3. Background

WRC Holdings Ltd (WRCHL) and its 100% owned subsidiary companies, Pringle House Ltd (PHL) and Port Investments Ltd (PIL) are Council Controlled Trading Organisations (CCTO's) as defined under the Local Government Act 2002. These companies, together with CentrePort, form the WRC Holdings Group.

A single SOI can be prepared for the Group and provided to the shareholder under section 64 (5)(b) of the Local Government Act. Pursuant to the Act a draft SOI for all CCTO's needs to be provided to the Shareholder by 1 March covering the projected results for the financial year in which it is delivered and for each of the immediately following two financial years. The shareholder is required, to either agree to the Statement of Intent, or take all practicable steps to require the Statement of Intent to be modified.

Due to different timing requirements between the Local Government Act and the Port Companies Act, no updated information from CentrePort has been able to be included at this time. The Committee should note therefore that the information included for CentrePort is based on CentrePort's 2005/06, Statement of Corporate Intent (SCI).

CentrePort has committed to provide a draft SCI for 2006/07 by 31 May, however, this means that they won't be included in the final SOI that is due be finalised on 1 June 2006.

4. Comment on the WRCHL Group Draft Statement of Intent

As noted in section 1 of this report the draft SOI for 2006/07 and the following two years is attached as **Attachment 1** of this report.

The Committee is asked to separately consider issues associated with:

- The words
- The numbers (the financial projections)

4.1 The words

The words in the 2006/07 SOI are largely based on the final SOI for 2005/06, with the exception of the new proposed Council Controlled Trading Organisations (CCTOs). The proposed three new CCTOs have been included in the Council's draft 2006-16 LTCCP for public consultation. These CCTOs will hold the Council's investments in public transport infrastructure as required by the Land Transport Management Act 2003.

The proposed names of these companies are Greater Wellington Rail Limited (GWRL), Greater Wellington Transport Limited (GWTL) and Greater Wellington Infrastructure Limited (GWIL). It is proposed that GWRL will own the Council's investment in rail rolling stock, GWIL the rail infrastructure such as station improvements and integrated ticketing. GWTL will own the trolley bus wires.

SOI has also been updated to reflect changes incorporated into the final 2005/06 SCI for CentrePort.

4.2 The numbers (reflected in the SOI Performance Targets)

The detailed budgets included in this report assume a \$3.6 million total dividend payout from CentrePort. However, as CentrePort have yet to provide an updated SCI, it is likely that the numbers presented will change prior to finalisation of the SOI being finalised in June 2006.

The key financial projections contained within the draft SOI are as follows:

	2006/07 \$000	2007/08 \$000	2008/09 \$000
Net Profit Before Tax (NPBT)	6,681	4,538	(2,689)
Net Profit After Tax (NPAT)	4,168	1,249	(5,941)
Return on Total Assets	5.24%	2.91%	(0.88%)
Return on Shareholders Equity	1.50%	0.24%	(1.81%)
Dividend Stream	434	988	1,056

The decreasing profit from 2006/07 to 2008/09 is due to the depreciation on the public transport infrastructure owned by the WRC Holdings Group.

In the new CCTOs depreciation rises from \$497,000 in 2006/07 to \$6,049,000 in 2008/09 as the new public transport assets, especially the new electrical multiple units come into service. These assets will be leased to Toll and at the moment no additional income is forecast from Toll for the use of these assets. Excluding depreciation, the existing CCTOs within the WRC Holdings Group are expected to maintain their current levels of profitability.

The effect of this depreciation and the subsequent decrease in profits have been included in the 2006/16 LTCCP.

Contrasting these figures with last year's SOI, the changes in the key lines are as follows:

	2006/07 \$000	2007/08 \$000
Net Profit Before Tax (06/07 SOI)	6,681	4,538
Net Profit Before Tax (05/06 SOI)	8,407	8,406
(Decrease)	(1,726)	(3,868)
Dividends (2006/07 SOI)	434	988
Dividends (2005/06 SOI)	514	514
Increase (Decrease)	(80)	474

5. Communications

No communication is necessary at this stage.

6. Recommendations

That the Committee recommend that the Council:

- (1) receive the report and note its contents.*
- (2) receive the draft Statement of Intent of the WRC Holdings Group for 2006/07, and the immediately following two years, and request that any comments or recommendations of the Council, as Shareholder, be forwarded to the Directors of WRC Holdings Ltd for their consideration prior to finalisation of the Statement of Intent in June 2006.*

Report prepared by:

Report approved by:

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Attachment 1: WRC Holdings Group – Draft Statement of Intent 2005/06