



# cchl PROFILE

CHRISTCHURCH CITY HOLDINGS LIMITED  
A wholly-owned subsidiary of Christchurch City Council



# Christchurch City Holdings

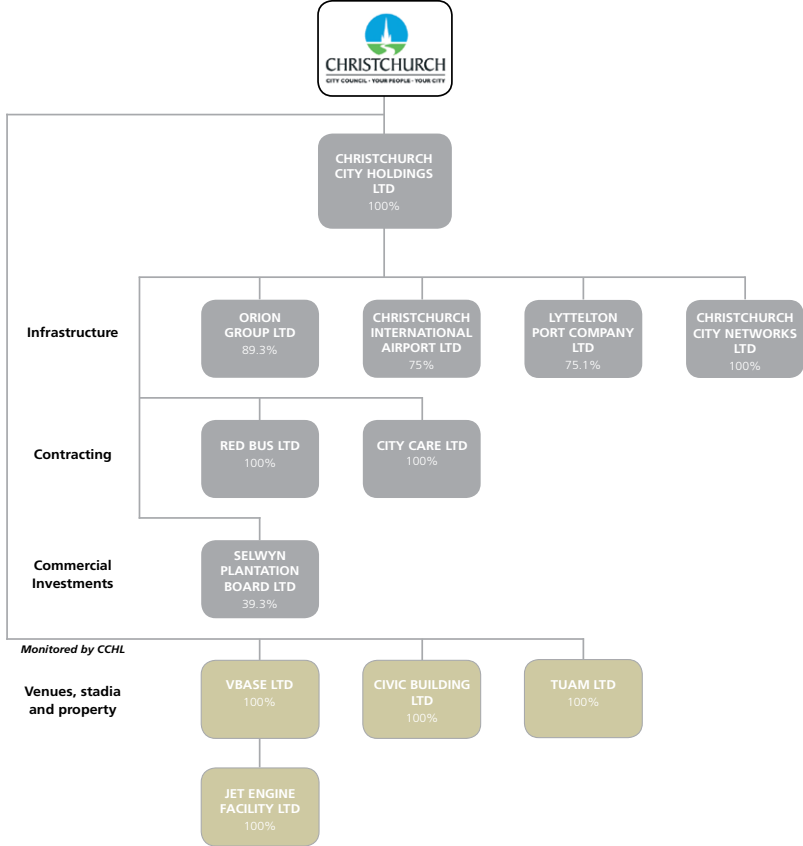
– a commercial approach

Christchurch City Holdings Ltd (CCHL) is the commercial and investment arm of Christchurch City Council, responsible for managing the Council’s investment in seven fully or partly-owned council-controlled trading organisations – Orion Group Ltd, Christchurch International Airport Ltd, Lyttelton Port Company Ltd, Christchurch City Networks Ltd, Red Bus Ltd, City Care Ltd and Selwyn Plantation Board Ltd.

In addition, CCHL monitors Vbase Ltd (which manages AMI Stadium, the Christchurch Convention centre, the Christchurch Town Hall for the Performing Arts and the Westpac Arena), as well as Jet Engine Facility Ltd, and two special-purpose companies – Civic Building Ltd and Tuam Ltd.

The trading companies control key infrastructure assets of the city, including power delivery, the airport, the port and public transport. These are critical to the regional economy.

Every year the income stream from these trading companies enables CCHL to pay a dividend to the Council, thereby helping reduce rates by more than 15%. Other special dividends have provided significant capital for the Council to fund major projects.



# Christchurch City Holdings

## – an ownership model that works

“ I’ve always felt quite strongly that any involvement by local government in commercial affairs should only occur if it fills a strategic purpose and an otherwise unmet need in the community, particularly with regard to infrastructure. So it’s been pleasing to see Christchurch City Holdings develop into an independent, commercially astute entity proactively investing in the city’s infrastructure while taking private sector sensitivities into account. I feel comfortable that it operates strictly at arm’s length and we look forward to continuing consultation with City Holdings in advancing the city’s interests.”

**Peter Townsend**

CEO, Canterbury Employers’  
Chamber of Commerce.

Since 1995, independent commercial governance and management has enabled CCHL to make over \$800 million of capital and dividend payments to the City Council, allowing major investments in community assets, such as the Art Gallery, without appreciably impacting rates. CCHL’s current annual dividend to Council is \$38 million, which helps to keep rates down by approximately 15% a year.

Over the same period, the asset value of CCHL through its trading companies has grown from \$400 million to over \$2.2 billion. Group equity has risen from \$261 million to \$1.4 billion.

This combination of growth in value and cash returns has contributed significantly to the wealth of the city, representing an average annual shareholder return of 18%.

Had CCHL’s trading companies been sold off, as was done by many other councils in New Zealand, much of this income and growth may have left this region. Christchurch has deliberately retained key assets while most other local authorities have sold them off.

The primary reason for such a strong growth and return rate is the fully independent and commercial approach taken by the boards and management of the respective trading companies – every one of them making a positive contribution towards our annual dividend.

CCHL places a great deal of emphasis on ensuring the trading companies have first class governance processes in place. We recommend director appointments to subsidiary companies. These appointments are based on merit and are made through a robust and independent process. CCHL itself is chaired by one of the country’s leading commercial directors and the boards of the subsidiary companies are composed of highly competent commercial directors.

It is vital that the trading companies operate at arm’s length from the Council and without political interference. CCHL acts as a non-political buffer between the Council and the trading companies it owns. We monitor and keep accountable the commercial boards, but we never interfere in any of the trading companies’ operations.



## Christchurch City Holdings

### 2 – investing in the city's infrastructure

The key purpose of CCHL is to support Christchurch City Council in making the city world class through investing in existing and new infrastructural assets such as the port, airport, transport and high-speed broadband.

Our strategic approach is to identify infrastructural needs that are not being filled by the private sector or existing Council operations then take a role in meeting those needs through joint ventures, public-private partnerships, setting up new entities or simply by acting as a catalyst for others.

By way of example CCHL, in conjunction with the Canterbury Development Corporation, initiated the development

of high-speed broadband infrastructure for Christchurch to make the city a more attractive place for commercial enterprise, for education and for research and development.

To facilitate this, we set up a wholly-owned subsidiary company, Christchurch City Networks Ltd to install an open access fibre-optic network thereby meeting the significant demand for reasonably price, high-speed reliable

communications for businesses, schools, hospitals, universities and research centres, and the community at large.

CCHL also encourages and, if necessary will facilitate appropriate investment by its trading companies when significant upgrades are required to existing infrastructural assets, for example in security of electricity network supply, rebuilding wharves at the port, or the construction of a new airport terminal.

# CCHL Financial Summary

The following table summarises the financial performance and position of the whole CCHL group, and the amounts paid to Christchurch City Council in the form of dividends and returns of capital.

Year ended 30 June	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>CCHL Group</b>	Old GAAP \$m	Old GAAP \$m	Old GAAP \$m	Old GAAP \$m	Old GAAP \$m	Old GAAP \$m	NZ IFRS \$m	NZ IFRS \$m	NZ IFRS \$m
<i>Financial performance and position</i>									
Total revenue	406	536	348	367	387	449	492	501	542
Profit for the year	52	232	62	51	34	66	79	99	91
Total assets	1,184	1,042	992	1,216	1,286	1,496	1,592	2,156	2,219
Shareholders' equity	497	701	599	741	762	963	854	1,368	1,405
<i>Payments to Christchurch City Council</i>									
Ordinary dividends paid	34	24	31	29	26	30	29	30	33
Special dividends paid	29	–	154	3	39	–	18	–	–
Capital repaid	162	–	–	–	–	–	–	–	–
	225	24	184	32	65	30	47	30	33
<i>Ratios</i>									
Ratio of net debt to net debt plus equity	48%	8%	28%	30%	33%	27%	35%	23%	23%
Return on average equity	10.4%	45.3%	9.6%	7.6%	4.6%	7.7%	9.3%	8.9%	6.6%

Large special dividends and capital payments in earlier years arose primarily from the restructuring of the Orion group, which sold its retail operations and also its interest in North Island gas company Enerco in the late 1990s/early 2000s. There were also special dividends

from Christchurch International Airport and Lyttelton Port Company.

The group's current financial position is strong, with steady cash flows and a relatively low level of debt in relation to total assets.

The 2008, 2007 and 2006 results were prepared under international financial reporting standards (NZ IFRS) which are now compulsory for large New Zealand companies, whereas earlier years' results were prepared under New Zealand accounting standards (old GAAP).

# CCHL Group Companies

## Orion

89.3% owned by Christchurch City Holdings Ltd

Orion New Zealand Ltd owns and operates the electricity distribution network in central Canterbury between the Waimakariri and Rakaia Rivers, and as far inland as Arthur's Pass. The electricity network covers 8,000 square kilometres of diverse geography, including Christchurch city, Banks Peninsula, farming communities and high country.



Orion's network delivers electricity to more than 186,000 homes and businesses. Electricity retailers pay Orion for this network delivery service and in turn charge homes and business for it. Orion also owns the electrical contracting business Connetics Limited.

The other 10.7% shareholder in Orion is Selwyn Investment Holdings Ltd, a wholly-owned subsidiary of Selwyn District Council.

## Christchurch International Airport Ltd

75% owned by Christchurch City Holdings Ltd

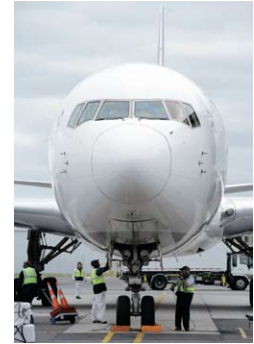
The international gateway to the South Island, Christchurch International Airport Ltd (CIAL) hosts just under 5.5 million passengers a year, arriving or departing on over 82,000 aircraft servicing destinations as close as Timaru and as distant as Tokyo.

Ten airlines arrive from ten international and 16 domestic airports, meaning a wide range of direct services available to the city's travellers.

The company is embarking on a major project to build a new combined domestic and international terminal.

With large passenger lounges, extra seating, improved passenger flows and enhanced retail and café areas, the new terminal will offer a top class airport experience.

The remaining 25% shareholding in Christchurch International Airport Ltd is owned by the Government.



## Lyttelton Port Company Ltd

78.2% owned by Christchurch City Holdings Ltd

Lyttelton Port Company Ltd (LPC), the South Island's major deep-water port, is a hub of international trade.

This year the port handled approximately 9.8 million tonnes of cargo, a record volume.



The container terminal provides specialised cargo handling and stevedoring in excess of 220,000 container (TEU) units.

On the water, full marine services are provided, including tugs, pilots, and service staff. Over 1,200 ships visit the port every year, with a steadily increasing number of cruise liners.

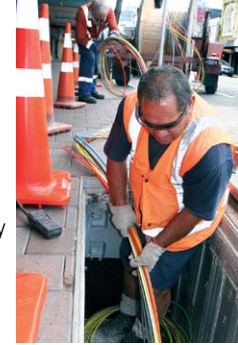
Lyttelton has the largest export coal facility in New Zealand, currently handling over two million tonnes a year for Solid Energy.

LPC is listed on the New Zealand Stock Exchange.

## Christchurch City Networks Ltd

100% owned by Christchurch City Holdings Ltd

Christchurch City Networks Ltd (CCNL) commenced operations in January 2007 to deliver open access high-speed fibre optic network to metropolitan Christchurch. CCNL has plans to install about 120km of dark fibre optic cabling under the city over the next two years which will be commercially accessible to public and private business end users and telecommunications and IT service providers.



The CCNL network will remove the constraints of bandwidth and provide world class broadband networking capability. Service on the CCNL fibre is typically operating at speeds 100 to 1,000 times faster than existing networks.

The company has already attracted an impressive portfolio of clients, primarily in the commercial sector, including radiology and health companies, retail organisations, hospitality, technology and media companies, as well as Government and local body organisations.

# CCHL Group Companies

## Red Bus Ltd

100% owned by Christchurch City Holdings Ltd

Red Bus Ltd carries approximately 10 million passengers in Christchurch city each year with a fleet of 200 buses, travelling 13.5 million



kilometres a year. Its urban public transport services are predominantly contracted to Environment Canterbury, which plans and regulates the city's public transport. The company also operates some commercial urban and charter services. It is the city's largest urban passenger transport business.

Red Bus maintains a strong commitment to customer service and has achieved continued improvement in passenger satisfaction with a further reduction in vehicle accidents. The company's focus is on patronage growth through improved customer service and service reliability, underpinned by continuous improvement in operational efficiency.

## City Care Ltd

100% owned by Christchurch City Holdings Ltd

City Care Ltd is a leading provider of construction, maintenance and management services across New Zealand's amenity assets and infrastructure.



City Care's staff work around the clock

developing, maintaining and managing water, wastewater and stormwater networks, parks, gardens, sportsfields and cemeteries, waterways and coastal areas, roads and buildings.

City Care employs approximately 950 staff across operational locations throughout the country, including Rodney, Auckland, New Plymouth, Tauranga, Wellington, Christchurch, Timaru and Dunedin.

Clients include local and central government authorities and other major owners of infrastructure and assets including educational institutions, commercial businesses, contracting companies and private individuals.

## Selwyn Plantation Board Ltd

39.3% owned by Christchurch City Holdings Ltd

Formed to manage forests on the Canterbury Plains, Selwyn Plantation Board Ltd has more recently focused on conversion of its forestry land on the northern plains from forests to alternative land use. This resulted



in increased logging operations and investment in conversion costs, including fertiliser, seeding, weed control, fencing, stock supply, shelter planting and crop rotation. Spray irrigation consents have been received for many conversions and more are under application.

The forestry component now has two distinct areas. The Malvern Hills forests (of approximately 4,200 ha), and the forestry rights at Chaney's and Bottle Lake (a further 1,300 ha). The management of all forest operations has been contracted out to PF Olsen.

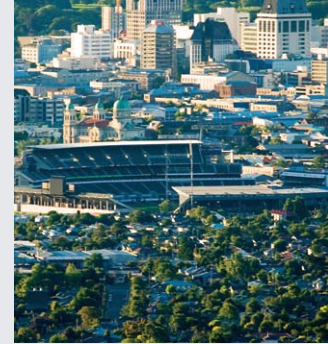
Farming operations, primarily dryland sheep and beef finishing, have continued to grow as the converted land becomes available. The farming strategy allows the productive capacity to be improved steadily over four years while allowing for future flexibility in land-use options.

The majority shareholder is Selwyn Investment Holdings Ltd, the investment arm of Selwyn District Council.

## Vbase Ltd

100% owned by Christchurch City Council, monitored by Christchurch City Holdings Ltd

Vbase Ltd owns and manages the four premier event venues in Christchurch – Westpac Arena, Christchurch Convention Centre, Christchurch Town Hall for Performing Arts and AMI Stadium. Vbase has annual turnover of \$30 million,



total assets of \$220 million and employs around 250 full and part-time staff to host almost 2,000 events a year.

AMI Stadium is undergoing a major redevelopment which will raise permanent capacity at the ground to 41,000 and will result in a stadium of international quality.

The Town Hall hosts a wide range of theatre and performing arts events and works in tandem with the Convention Centre in servicing the valuable conference and convention market. The Town Hall, Westpac Arena and AMI Stadium host over 650,000 guests per year to ticketed events.

More than \$80 million in direct visitor spending is injected into the local economy every year from national and international visitors to Christchurch attending events at a Vbase venue.

Vbase also owns Jet Engine Facility Ltd, an international jet engine testing facility at Christchurch International Airport leased to Pratt and Whitney/Air New Zealand, and manages Civic Building Ltd, which is participating in a joint venture with Ngai Tahu to own and develop the NZ Post building in Hereford Street as Christchurch City Council's new headquarters.

# Board of Directors

## Governance

Good governance has been the cornerstone of the CCHL group's success and has helped earn the respect of the subsidiary companies as well as the city's commercial leaders including the Canterbury Employers' Chamber of Commerce and the Institute of Directors.

Board members for CCHL and its subsidiaries are selected for their skills and experience with the help of a professional search firm. Appointments are reviewed every three years, with a maximum term of nine years.

The directors of CCHL and its subsidiary companies are all required to follow best practice governance, abide by the Institute of Directors Code of Conduct and comply with the Companies Act 1993. This means that their primary legal and ethical obligation is to the interest of the company and its shareholders, with no room for political influence.

The CCHL board comprises eight directors - four councillors and four appointed external to the Council. CCHL sits between the elected Council and its commercially operated trading subsidiaries, providing a buffer for the companies from political interference in commercial operations.

All Councillor directors are required to retire by rotation within three months following the triennial local government elections, but are eligible to be re-appointed. Where there are four or more non-Councillor directors, two of those directors must retire by rotation annually. Appointments to CCHL are made directly by the Council.

Fees for the CCHL board are set triennially at the same time as the appointment of the new board. The CCHL board recommends fee levels to the Council, based on commercial norms.

The board generally meets at monthly intervals, and more often when required. The board is proud of the good governance practices it champions for the group.

## Board Committees

- Audit & Risk Management Committee
- Governance, Appointment & Remuneration Committee
- Other committees, on an as needed basis to deal effectively with issues as they arise.

## Board Members

**Bruce Irvine** BCom, LLB, FCA, AFInstD  
*Chairman*

Bruce Irvine was first appointed to the CCHL board in November 2003, and became Chairman in November 2007. Bruce is also Chairman of House of Travel Holdings Ltd, and a director of Canterprise Ltd, Godfrey Hirst Ltd and subsidiaries, MG Marketing Ltd and subsidiaries, ProvencoCadmus Ltd, Pyne Gould Corporation Ltd and subsidiaries (including MARAC Ltd and Perpetual Trust Ltd), Rakon Ltd, Ravensdown Fertiliser Co-operative Ltd, Scenic Circle Hotels Ltd, Skope Industries Ltd and Syft Technologies Ltd. Bruce is also a trustee of Christchurch Art Gallery Trust and Christchurch Symphony Trust.

**Barry Corbett** *Deputy Chairman*

Barry Corbett has been a City Councillor since October 1998, joining the CCHL board in 2004. He is a director of the Theatre Royal Charitable Foundation, chairman of the Eureka Trust and a trustee of the Christchurch Casino Charitable Trust.

**Bob Parker**

Bob Parker, the Mayor of Christchurch, became a director of CCHL in December 2007. He is also a director of Canterbury Development Corporation and its subsidiaries, and Canterbury Museum Trust Board.

**Sarah Astor** BCom, CA, AFinStD  
*Chair of Audit and Risk Management  
Committee*

Sarah Astor was appointed to the CCHL board in November 2007. She is a director of Meteorological Service of NZ Ltd, Metra Ltd, Novo Strategic Brand Management Ltd, Priority Finance Ltd, Selwyn Plantation Board Ltd and Sasco Holdings Ltd. Sarah is also a trustee of AdFund, Church Property Trustees and Warren Architects Education Charitable Trust.

**Bill Dwyer** LL.B (Hons), B.Ed

Bill Dwyer joined the CCHL board in 2005. He is a partner of Lane Neave Lawyers and director of Canterbury GP Group Capitated Funding Trust Ltd, Christchurch City Networks Ltd, Lane Neave Ltd, Lane Neave Nominees 2007 Ltd, Lane Neave Ronaldson Solicitors Nominee Coy Ltd, LNR Client Services Ltd, Pegasus Health 24 Hour Surgery Ltd and 24 Hour Surgery Ltd. He is also a trustee of the Emergency Care Foundation.

**Andy Pearce** BSc (Hons), MSc, PhD, FNZIM

Andy Pearce was appointed to the CCHL board in 2006. He is Chairman of Keratec Ltd, Terranova Trust and Wool Equities Ltd. He is a director of Anark Ltd, Bank Of New Zealand, Energy Efficiency and Conservation Authority, MigCo Pharmaceuticals Ltd and Seon Pearce and Associates Ltd. He is also Chairman of the Canterbury Strategic Water Study Stage 3.

**CCHL Board Members:**

*(Standing, left to right) Bob Lineham (Chief Executive), Barry Corbett, Sue Wells, Bruce Irvine (Chairman), Andy Pearce (Seated, left to right) Bill Dwyer, Bob Parker, Sarah Astor and Bob Shearing.*



**Bob Shearing**

Bob Shearing is a City Councillor, and was appointed to the CCHL board in December 2007. He is a director of Canterbury Development Corporation and subsidiaries, Canterbury Economic Development Fund and RA Shearing Contractors Ltd. Bob is also a trustee of RNZAF Museum Trust Board and Templeton Welfare Trust and Chairman of the Church of the Holy Family Trust, Hornby Community Care Centre and Rose Historic Chapel Trust.

**Sue Wells** BA

Sue Wells has been a City Councillor since 1998, and community board member since 1995. She joined the CCHL board in 2004. Until August 2007 she was a director of Christchurch City Networks Ltd, and served on the board of Orion

Group Ltd prior to her appointment to the CCHL board. She is also a member of the Christchurch Arts Centre Trust board.

**Bob Lineham** BCom, FCA, FNZIM  
*Chief Executive*

Bob Lineham has been the Chief Executive of CCHL since it was established in 1993. He is a director of Christchurch City Networks Ltd, New Zealand Local Government Insurance Corporation Ltd and Local Government Finance Corporation Ltd. Bob was also recently appointed as a member of the Canterbury District Health Board Finance, Audit and Risk Committee.

**Management Team**

Bob Lineham, *Chief Executive*  
Richard Simmonds, *Financial Controller*  
Noeline Halstead, *Executive Officer*



cchl

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