

MEDIA RELEASE

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Council-owned recycling company to be moved to CCHL governance after significant financial turnaround

After 18 months in Christchurch City Council ownership, the company that runs the city's transfer stations and recycling plant has returned to profitability and increased its value as a Council-owned asset by \$8 million.

"The Council purchased the assets and liabilities off previous owners Meta and placed them in CCC Two Ltd in July 2009 because Meta's financial position posed a serious risk to the city's kerbside collection service" says the Council's General Manager Corporate Services, Paul Anderson.

"We knew at the time of purchase that CCC Two Ltd had the potential to be turned into a valuable Council asset and we are pleased with how the business has turned around in such a short period."

Since the purchase CCC Two Ltd has returned to profitability, and the Council's shareholding in the business has increased from \$1.1 million to \$9.1 million in value, based on an independent valuation. The business has also repaid \$1.55 million of the \$18 million loan it took out from the Council at the time it was purchased.

New initiatives at CCC Two Ltd

Council and CCC Two Ltd staff have introduced a number of initiatives including recycling glass collected from the kerbside collection for roading, sand blasting, sports fields and pool filtration. The glass stockpile that the company inherited has now been used.

"All quality recycled product now has a commercial reuse and the future looks promising," Mr Anderson says.

In addition the three Eco-Depots have been busy both, before and after the September 2010 earthquakes, volumes of recycled items for the SuperShed have grown along with other valuable recycled materials collected on the three sites.

"This represents considerable saving of materials which historically would have gone to landfill and provides a positive sustainable outcome for the Canterbury region," Mr Anderson says.

Selling CCC Two Ltd to CCHL

“Through Christchurch City Holdings (CCHL), the Council’s investment arm, we have a very successful model for governing important Council assets and ensuring these assets continue to deliver value to the community,” says Mr Anderson.

“The Council has, therefore, decided to move CCC Two Ltd under this governance model by selling it to CCHL.”

CCHL is purchasing the Council’s shares in CCC Two Ltd for \$9.1 million, based on the price set by the independent valuer, and the business’ remaining debt is being refinanced by CCHL.

This means the Council will get back all of its purchase money, will pay back all of the debt associated with the purchase, and will realise a substantial profit.

CCHL chairman Bruce Irvine says it makes sound economic sense to purchase CCC Two Ltd given its potential for future growth.

“This company is a viable commercial entity and is part of the city’s infrastructure so it is a good fit with the CCHL model of investment in infrastructure related companies,” Mr Irvine says.

“CCC Two Ltd is forecasting ongoing annual profits and the Council will benefit for the foreseeable future from dividends which will be paid to CCHL.”

CCC Two Ltd will be renamed and re-branded as EcoCentral Ltd.

As a company in the CCHL group it will be monitored by the established good governance practices which CCHL applies to all its subsidiaries. CCHL has appointed two of its directors Bill Dwyer and Sarah Astor to join with Paul Anderson and Tony Marryatt to form an interim board. Over the next year the board structure will be reviewed and replacement external directors appointed.

- Ends -

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Christchurch City Holdings Limited is the 100% owned infrastructure investment arm of Christchurch City Council. It is the majority shareholder of Orion Group, Christchurch International Airport Limited, Lyttelton Port Company Limited, Christchurch City Networks Limited, Red Bus Limited and City Care limited. It also monitors on behalf of the Council the Council’s investments in the Vbase group of companies.