

**WELLINGTON REGIONAL COUNCIL
REPORT ON OPERATIONS
FOR SIX MONTHS ENDED 31 DECEMBER 2002****Introduction**

The Wellington Regional Stadium Trust is pleased to report on another successful period of operation for the six months to 31 December 2002. The Trust has recorded a profit of \$487,000 which exceeds budget for the period by \$252,000 and has been successful in presenting an excellent calendar of sporting events.

Events

Events in the period included five NPC games, a Rugby Union Test, a Rugby League Test, and a Home & Garden Show as well as the Wellington Club Rugby semi-finals and finals.

The Rugby Test against South Africa was once again a fully-sold event, with an additional 2900 seats on the ground.

NPC attendances averaged 25,000, which was a slight increase over the previous year and reflects the support of Wellingtonians for their team and the Stadium despite a slow start to the season from the Lions.

Following the success of the 2001 Rugby League Trans-Tasman Test, Wellington won the right to host the test again in 2002, and a crowd of 25,000 enjoyed this match.

We were disappointed that the major activities of the Planet X games were transferred from the Stadium due to the high cost to the promoter for bad weather insurance. We feel this event has potential to become a significant regular event at the Stadium, enhancing the event for both the promoter and the public.

There is a strong programme of events in the first six months of 2002. The initial allocation of tickets for the International Sevens tournament sold out within hours of the tickets going on sale. The Stadium will host four Super 12 matches, a one day cricket international against India, the NBR Stadium Spectacular and two NRL matches. The Bulldogs return for their third match at the Stadium against the Warriors. We are especially pleased that the Canberra Raiders will play their match against the Warriors in May. The Food Show returns in June.

Concerts

There has been considerable public comment on the use of the Stadium for concerts. The very popular Stadium Spectacular is back on 22 February with a new show.

At the present time in Wellington there are a number of big name acts playing to crowds of 3,000-5,000 people offering concert goers the opportunity to see popular artists from the past and the present. There are, however, few artists who can fill a Stadium and they do not tour frequently in this part of the world. The Rolling Stones are only playing indoors on their Australian Tour and we were unable to negotiate an exception for Wellington. With the Rugby World Cup taking place in October and November some artists have avoided touring during this period as they do not wish to compete with the Rugby World Cup for ticket sales. We believe we will continue to get our share of major concerts in Wellington.

The World Speedway Champs are still under discussion though the 2003 event will not be coming to NZ because of issues arising with the Rugby World Cup taking place in Australia at the same time. We are still keen to host this event and are in negotiation with the promoters.

Additional Events

The Trust often receives comments about the need for more events at the Stadium, which should be put in context. We would all like to have one or two major concerts per year but the previous section of this report clarifies that issue. Many forget that there is a very real prospect of over supplying the limited entertainment market and the potential for price resistance that can eventuate. The double header weekend we had in October with the Auckland vs Wellington NPC on the Friday and the Australia vs NZ Rugby League Test on the Saturday, highlighted this problem as we believe that patrons did not have the money to support both the league test and the NPC game. The exception has been the Super 12 and NRL games but we need to be careful not to schedule too many events in a short period. We note that the real solution to the additional events required to balance the Stadium schedule is the achievement of Semi Finals and Finals for the Super 12 and NPC. This is beyond the control of the Stadium Trust.

In addition there are scheduling issues that limit the availability of the Stadium for concerts. In the first quarter of 2003, which is the concert season, we have six major event days including the NBR Stadium Spectacular. With Rugby and Cricket having the priority booking rights for their seasons and with the set up and pack out time required for major concerts there is often difficulty in accommodating dates as concert promoters try to arrange Australasian tours. In 2004 we will also need to accommodate an extra cricket international.

Corporate Boxes

Six boxes remain unsold and are leased on a per event basis. They remain very popular for major events and good revenue earners for the Stadium.

Pavilion

During the period, the Trust completed the fitout of the Pavilion. This area is located between the two entrances to the concourse. On event days it is open to the public as a place to meet and provides food and beverage in pleasant surroundings. On non-event days it will be used as the starting point for the Stadium tour programme and will also be available for private functions.

With the support of The Dominion Post, the Pavilion has been decorated with images of sporting icons and highlights key events from the Stadium history. Front and back pages from the archives of the Dominion and Evening Post are features in the lounge telling the story leading up to the opening of the Stadium.

We appreciate the support of the New Zealand Community Trust as a principal funder of the Pavilion.

Tax Status

During the year the Government drafted a new Local Government Bill. The Trust together with the Wellington City and Wellington Regional Councils took the opportunity of making submissions on the Bill, and the Trust appeared before the Select Committee to present its case. Our submissions highlighted that we believe that the Stadium Empowering Act which

established the Wellington Regional Stadium Trust provides the governance provisions for the Trust and therefore supercedes the Local Government Act. If the new Act does not clarify the status of the Trust we will consider available options in conjunction with the two Councils including proceeding with obtaining a declaratory judgement from the High Court to confirm the status of the Trust.

Rates

As a result of a mediation process with Quotable Value and the Wellington City Council, the Trust settled its objection to its valuation for rating purposes for the valuations dated September 2000 and September 2001. This has resulted in an annual saving of \$108,000 compared to the amount of rates first levied, which is significant in terms of the ongoing operating expenditure of the Stadium.

Insurance

The Trust has again been faced with a substantial increase in its insurance premium of 60% following the previous years increase of a similar percentage. This is due to the continuing after-effects of the terrorist events in New York of 11 September 2001, and Wellington's location in an earthquake zone. This increase applies from 1 December 2002 and will result in insurance premiums being higher than budget by \$130,000 for the year to 30 June 2003.

In the original Project Plan of October 1997 an estimate of insurance cost of \$120,000 was used based on information provided by insurers at the time. Since the Stadium was completed our annual insurance costs have been:

12 months ending 30 June	
2000	\$154,510
2001	\$213,580
2002	\$363,560
2003	\$606,740

In 2002 the Trust entered into a first loss arrangement for fire and earthquake which limited our claims to the maximum loss expected based on an independent assessment of the Stadium. If this had not been in place the premium costs in 2003 would have been in the region of \$1.1m. The impact of this cost is best highlighted by the fact that we would have needed five additional Super 12 games each year to meet the additional premium cost.

Finance

The Trust achieved a profit of \$487,000 for the six months which is \$252,000 ahead of budget. With some events that were included in the budget for the next six months now not taking place we expect to be close to budget at year end.

Net cash flow movement for the six months is ahead of budget because of the early payment of corporate box annual license fee renewals, which are due on 27 December each year.

The ratio of current assets to current liabilities at 0.89 is ahead of the budget of 0.59 – again this is affected by the receipt of corporate box license fees.

The ratio of bank borrowing to Total Assets is slightly better than the budgeted ratio of 25.6%. At 31 December, 800,000 of the \$1m repayment due at 30 June 2003 had been repaid early.

During the period, Stadium enhancements of \$483,000 were made. This is largely the development of the Pavilion on the concourse and upgrades to lounges to increase their attractiveness and functionality for non event day hire.

The number of events at both the Stadium and the Basin Reserve have been as expected.

Basin Reserve

The cost of operating the Basin Reserve (excluding the recent refurbishment costs and depreciation) for six months was:

Overheads	\$128,807
Wages	\$62,043
	\$190,850

During the period the Trust completed substantial upgrade of the players facilities, scoreboard, wicket covers and ground drainage. In addition, new clays have been trialled on the practice wickets so we can establish the best clay for Wellington conditions at the Basin Reserve. The Wellington City Council contributed \$80,000 to the enhancements to the Basin Reserve..

We held a very successful cricket test against India. Although the short duration was a frustration for patrons, attendance was excellent and we were pleased with the way the wicket played. It was very satisfying to receive a complimentary letter from NZ Cricket after this game following the problems of the previous year.

We continue to work with New Zealand Cricket and the Wellington City Council to establish the best way to operate the Basin Reserve in the future. Other Basin Reserve assets are in needs of substantial refurbishment over the next few years and a plan needs to be developed to ensure that expenditure takes place. The cost for refurbishment needs to be balanced against the revenue generated by the Basin and the obligation for the Basin to be available for the game of cricket and for the citizens of Wellington.

From the Trust perspective the financial cost is proving difficult to service and the Trust needs to develop long term arrangements with all interested parties to mitigate the cost of the facility.

Quality Matters

Members and Corporate Boxes

The annual survey of members took place in September and October and a summary of the responses discussed at the Annual Meeting of Members in November, and sent to all members. There were no substantial issues raised that were not currently being addressed by the Trust. Eighty-two percent of members who responded rated their overall experience as being above average or excellent. The main area of concern was bar service, in particular the capability of bar staff. The Trust is working with the caterer to improve staff training to

address this problem, but the caterer continually faces the challenge of recruiting and retaining experienced bar staff on a casual/event day basis.

Corporate boxes are surveyed for their **catering** experience and service at the end of each event. We are pleased to report that the results continue to exceed the minimum KPI we have set for the corporate boxes.

Patrons/General Public

Armourguard regularly surveys patrons to obtain patron assessment of Hostwise staff performance. We are currently reviewing and upgrading the survey forms, but generally the feedback to date has been good. The level of complaints following events is minimal and deals with minor issues.

Public concourse food and beverage queues are also monitored on an event basis with minimum KPI standards required to be met by the caterer. These standards are generally achieved for the most part of an event but prove challenging at some outlets during short half time breaks. Overall there has been an increase in turnover over the past year from the concourse reflecting quicker service at outlets.

Hirers

Debriefs are held with hirers after major events and at the end of the season. Hirers are satisfied with the quality of service at the Stadium. From 2003 we will formalise this process through a questionnaire to be completed by hirers.

Comparisons with other venues

The New Zealand Rugby Union undertakes surveys of its test match venues in New Zealand. For the 2002 matches (Fiji and South Africa), we compared favourably achieving 143.4 points out of a possible 150 for the key performance areas being assessed. The average score across all venues was 130.5. Highlights for the 'mystery shoppers' who undertook the survey work were the excellent facilities and friendly and helpful staff.

Relationships with local residents groups

A meeting with the Community Liaison Group was held on 19 December 2002, which was the second meeting held in 2002. The Group is satisfied with the operations of the Stadium as they impact the neighbouring area.

Risks

There are no significant risks to be reported under the KPI report.

The Stadium's major risk continues to be related to the need to secure the additional events highlighted in the business plan and the shortfall in income that arises from the loss of the Rugby World Cup events. The financial year ending 30 June 2004 will now be a difficult year for the Stadium Trust compounded by the fact that some major events have been deferred to avoid clashing with the Rugby World Cup.



Paul Collins
Chair
February 2003

Wellington Regional Stadium Trust

KPI Report to WCC & WRC

FINANCIAL	Year to date 31-Dec-02			Year End 30-Jun-03		
	Actual \$000	Budget \$000	Variance %	Projection \$000	Original Budget	Variance %
	Net surplus/(deficit)	487	235	(107%)	1,450	1,539
Net cashflow movement	2	(1,574)	(100%)	(95)	(444)	(79%)
Liquidity Ratio (Current Assets to Current Liabilities)	0.69	0.59	51%	0.66	0.66	2%
Bank borrowing to Total Assets	25.60%	26.70%	4%	25.70%	25.90%	1%
Stadium Enhancements (Capex)	460	492	(2%)	596	596	0%

EVENTS	No of days - Year to date			No of days - Year end		
	Actual	Budget	Variance	Projection	Budget	Variance
	Events held during period					
Rugby	6	6	33%	15	15	0%
Other Sport	0	0	0%	3	5	(40%)
Concerts	0	0		1	2	(50%)
Exhibition Days	3	3	0%	6	9	(33%)
Total	12	10	20%	26	32	(19%)
Total numbers attending	217,300					
Basin Reserve - number of days used						
Internationals	5	5	0%	5	5	
Other Events	7	0		7	0	

Notes

Events

Extra Rugby Events **over** budget are the Club Rugby **Semi** finals and Finals

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Wellington Regional Stadium Trust
Statement of Financial Performance
For the Six Months Ending 31 December 2002

	Actual YTD \$	Budget YTD \$	Variance \$	Annual Budget \$	(12 months) 30/06/02 Actuals \$
Operating Revenue					
Event Revenues	2,116,210	1,873,599	242,611	5,708,068	4,928,183
Amortisation of Revenue in Advance	3,248,664	3,332,570	(83,906)	6,636,874	6,621,491
Sundry income	733,770	593,352	140,418	783,550	598,548
	<u>6,098,644</u>	<u>5,799,521</u>	<u>299,123</u>	<u>13,128,492</u>	<u>12,148,220</u>
investment Revenues	60,447	68,741	(8,294)	209,994	119,027
Total Revenue	6,159,091	5,868,262	290,829	13,338,486	12,267,247
Operating Expenses	<u>2,970,677</u>	<u>2,880,984</u>	<u>(89,693)</u>	<u>6,295,770</u>	<u>5,724,223</u>
Operating Surplus before Depreciation and Interest	3,188,414	2,987,278	201,136	7,042,716	6,543,024
Depreciation	1,498,576	1,517,148	18,572	3,034,296	2,996,158
interest	1,202,602	1,234,850	32,248	2,469,191	2,400,551
Net Operating Surplus (Loss)	<u>487,236</u>	<u>235,280</u>	<u>(251,956)</u>	<u>1,539,229</u>	<u>1,146,315</u>

Wellington Regional Stadium Trust
Statement of Financial Position
As at 31 December 2002

	31-Dec-02 \$	30-Jun-02 \$
Trust Funds		
Accumulated Surplus	10,251,284	9,764,049
Limited Recourse Loans		
Wellington Regional Council	25,000,000	25,000,000
Wellington City Council	15,000,000	15,000,000
Total Trust Funds & Limited Recourse Loans	<u>50,251,284</u>	<u>49,764,049</u>
Non Current Liabilities		
Term Loans	31,350,000	31,150,000
Other Loans	1,390,373	399,254
Revenue in Advance	35,137,283	33,092,440
Total Non Current Liabilities	<u>67,877,656</u>	<u>64,641,694</u>
Current Liabilities		
Payables & Accruals	1,494,934	1,456,336
Current Portion of Term Liabilities		501,576
Revenue in Advance	2,829,086	5,825,113
Total Current Liabilities	<u>4,324,020</u>	<u>7,783,025</u>
Total Funding	<u>122,452,961</u>	<u>122,188,768</u>
Represented by:		
Non Current Assets		
Fixed Assets	118,603,645	119,646,636
Total Non Current Assets	<u>118,603,645</u>	<u>119,646,636</u>
Current Assets		
Cash	1,331,834	1,329,429
Receivables & Prepayments	251,782	1,212,704
Total Current Assets	<u>3,849,316</u>	<u>2,542,133</u>
Total Assets	<u>122,452,961</u>	<u>122,188,769</u>

Wellington Regional Stadium Trust
Statement of Cash Flows
For the 6 months ended 31 December 2002

	6 mths 31-Dec-02 \$	12 mths 30-Jun-02 \$
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Event and operating income	2,429,377	4,974,784
Annual Corporate Box, Signage & Sponsorship income	1,745,086	3,394,486
Net GST received	51,066	
Interest received	16,261	39,763
Basin Reserve Grants	80,000	53,128
Donations received and other sundry income	158,252	830,503
	<u>4,480,042</u>	<u>9,292,663</u>
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(2,756,160)	(4,911,422)
Interest paid	(1,206,454)	(2,363,117)
Net GST paid		(27,644)
	<u>(3,962,614)</u>	<u>(7,302,182)</u>
Net cash inflow from operating activities	517,428	1,990,481
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
<i>Cash was applied to:</i>		
Fixed Assets	(411,860)	(359,956)
Net cash outflow from Investing activities	<u>(411,860)</u>	<u>(359,956)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Memberships	85,150	155,269
Loans	<u>85,150</u>	<u>155,269</u>
<i>Cash was applied to:</i>		
Repayment of loans	(188,314)	(1,428,120)
	<u>(188,314)</u>	<u>(1,428,120)</u>
Net cash outflow from financing activities	(103,163)	(1,272,850)
NET INCREASE IN CASH HELD	2,405	357,674
Cash at beginning of the period	<u>1,329,429</u>	<u>971,754</u>
CASH AT END OF THE PERIOD	<u>1,331,834</u>	<u>1,329,429</u>
<i>Composition of cash:</i>		
Cash at bank	26,514	(43,224)
Money market investments	<u>1,305,320</u>	<u>1,372,653</u>
	<u>1,331,834</u>	<u>1,329,429</u>