
Utility Services Division

Quarterly Review

for

**The Water Group and
Plantation Forestry**

for the Twelve Months Ended 30 June 2000

Utility Services Division - Quarterly Review

For the Twelve Months Ended 30 June 2000

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Divisional Manager's Report

Water Supply

Overall financially a pretty successful year – and indeed if the financial result is compared with the position three years ago the costs of running the business have dropped by 23 percent (schedule on page 3) or \$5M excluding the change in depreciation. Those savings are split between operating savings of \$2M and interest savings of \$3M. The interest savings have largely been generated by the accelerated debt repayment through the elimination of sinking funds and operating surpluses. Debt is now \$62M which is \$3.5M below last year and \$10.5M below 1997.

Compared with last year, operating costs before depreciation have reduced by \$0.6M. Interest costs are down by \$1.0M but other operating costs are up by \$400,000. This is largely due to increased personnel cost, power charges and corporate costs with these increases somewhat offset by reductions in chemical, contractor and consultant costs. Notwithstanding these changes the overall surplus (excluding depreciation) was better than budget by \$1.333M.

All of this has fed into our various projections and the further four percent reduction in the levy for the 2000/2001 financial year. It is apparent however that we will not exceed the budget surplus by much in this coming year. If there is to be any further reduction in the levy it will have to be at the expense of debt repayment.

The Laboratory result is a little disappointing mainly as a result of a fall off in revenue, with the loss of the Upper Hutt City contract and by reduction in Environment Division work. Increased costs also impact the result. On the other hand, ECG had an excellent year recording a surplus of \$191,000.

Strategically putting together the new FMC and the integration project has been a major step forward.

While Network result here shows a net loss of \$144,000, additional revenue since agreed with Wellington City will reduce the loss to \$41,000. In addition, we believe we have a very strong case in relation to the trench opening fees dispute. The successful outcome of that dispute will see us record a surplus to June 2000 of \$90,000.

In summary the highlights for the year were:

- Initiation of integration propositions with WCC and HCC.
- Renewal of the FMC for a further year.
- Financial results/debt reduction.
- 4% levy reduction.
- Completion of Water Group's Long Term Financial Strategy (30 years).
- EMS – 14001 accreditation.
- Treatment plant improvements.
- Optimisation underway.
- Petone water result.
- Water Group Annual Business Report.

Utility Services Division – Quarterly Review

For the Twelve Months Ended 30 June 2000

- Asset revaluation completed (\$64M value increase).
- Hansen Asset Management System installed and operating.
- Capital works programme pretty much on track.
- IRD binding ruling on transfer of Karori land to WCC received.

Plantation Forestry

I am well pleased with what we have achieved in the forests this year. Certainly there has been a significant financial turnaround, the net effect of which should only show debt increasing by about \$500,000 compared with \$1.239M in 1999. This means we have almost met all outgoings including interest and capital expenditure except the dividend. The aim is to maintain this position next financial year. We will then hit a hole in available trees for the next three years. Things then are on the plus side from 2004/2005 out for the remaining part of the 10 years.

Utility Services Division – Quarterly Review

For the Twelve Months Ended 30 June 2000

Water Excluding Network and Intragroup Revenues/Costs

	Actual June 1997 \$'000	Actual June 1998 \$'000	Actual June 1999 \$'000	Actual June 2000 \$'000	Budget June 2001 \$'000
Operating Revenue					
Bulk Water Levy	25,213	25,218	25,218	24,210	23,242
Internal Revenue	2,027	1,642	743	716	684
Other	1,400	675	1,442	1,092	941
Total Operating Revenue	28,640	27,535	27,403	26,018	24,867
Operating Expenditure					
Personnel	4,422	3,851	3,357	3,570	3,655
Power	2,065	1,706	1,533	1,853	1,880
Chemicals	1,965	1,690	1,644	1,452	1,529
Other Materials, Supplies & Services	2,245	1,093	2,087	2,198	2,058
Travel & Transport	166	164	185	163	195
Contractor & Consultants	1,554	2,240	1,901	1,666	1,926
Internal Consultants	1,182	1,164	577	692	679
Financial Costs	8,243	6,909	6,166	5,211	5,331
Movement in Doubtful Debt Provision	-	78	(17)	5	-
Loss/(Gain) on Sale of Assets	-	(42)	(20)	(67)	(31)
Corporate Overhead	741	750	616	731	765
Operating Expenditure before Depreciation	22,583	19,604	18,028	17,474	17,988
Depreciation	4,028	4,193	4,335	5,010	5,166
Total Operating Expenditure	26,611	23,797	22,363	22,484	23,154
Surplus before Abnormals	2,029	3,738	5,040	3,534	1,713
Abnormal Items					
Karori Land Asset Write Down	-	-	(1,590)	-	-
Distribution Stock Write Up	-	-	1,111	-	-
Interest - Buy Back of Debt	-	-	(455)	-	-

Utility Services Division – Quarterly Review

For the Twelve Months Ended 30 June 2000

Surplus after Abnormals	2,029	3,738	4,106	3,534	1,713
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Highlights and Departmental Issues

For the Twelve Months Ended 30 June 2000

Operations (Wholesale)

- ISO 14001 accreditation was obtained for the Water Group.
- The implementation of the System Optimiser continues to produce excellent results and it is hoped that long term it will be able to predict and hence optimise performance within the Distribution system.

Operations - Network

- The year-end result should produce an operating surplus.
- The Section continues to operate satisfactorily and it is noted that the standard of work has improved, with the result that the requirement for rework has reduced over the period.
- A new Water Services Agreement has been negotiated with Wellington City Council to undertake the maintenance of the reticulation system. This has contributed to an optimistic attitude for the coming financial year.

Strategy and Asset

- An integration investigation process has started with HCC and WCC. This follows from an earlier initiative between WRC and WCC, which was at a very early stage before HCC joined.
- The Mits Hansen Asset Management System testing was completed during the year and is now fully operational.
- ISO 9002 accreditation was achieved for another three year period.
- Asset revaluation project completed.

Engineering Consultancy

- An excellent financial outcome for the year with operating surplus of \$191,500 exceeding the budget of \$65,400.
- During the year an extension was negotiated with WCC relating to plan records and provision of information. This was pleasing considering that earlier in the year advice had been given that these services were to be ceased.

Laboratory

- The loss of the Upper Hutt City Council water quality testing contract and the reduction in work for the Environment Division adversely impacted the business performance overall.

Plantation Forestry

- Very good financial result, only marginally below a very ambitious budget.

The Water Group

Summary of Results

For the Twelve Months Ended 30 June 2000

Water Supply – Total Excluding Network

Statement of Financial Performance

For the Twelve Months Ended 30 June 2000

Water Supply – Total Excluding Business Units

Statement of Financial Performance

For the Twelve Months Ended 30 June 2000

Quality: Long-term

The quality of water supplied will continually meet the Ministry of Health's Drinking-Water Standards. The related water supply infrastructure will be maintained and improved to meet the standards specified in the Regional Water Supply Asset Management Plan.

All water that The Water Group treats meets Ministry of Health Drinking Water Standards. The Regional Council has a policy to target an “A” grade standard for water supplied from each of the plants. This means the water supplied is completely satisfactory with minimal levels of health risk.

Water supplied from Waterloo and Gear Island is grade “B”. This would be upgraded to “A” if chlorine was added to the treated water, although Hutt City Council has requested that this should not occur. The Wainuiomata water treatment plant is graded “C”. It is expected to receive an “A” grading under the 1995 standards following some minor capital works. However, a full year of records is required before seeking a re-grading; this will take until the end of 2000. Te Marua water treatment plant is currently graded “A”.

During the 1999/00 year optimisation at the Te Marua water treatment plant (WTP) increased the output from 120 ML/d to 140ML/d day when high quality raw water is available. Also work at the Wainuiomata WTP has improved the water quality. Once 12 months of records are available it is expected the Wainuiomata WTP will be regraded to “A”.

Quality: Short-term

By 30 June 2000:

The collection, treatment and delivery of water will be managed to ensure the quality of water supplied complies with the Ministry of Health's *Drinking-Water Standards for New Zealand 1995*. Water testing will be carried out by an International Accreditation New Zealand (IANZ) registered laboratory at sampling points defined by the Quality Assurance Section of The Water Group, not less than five days out of every seven. 1999/00 costs will not exceed the budget of \$386,000.

Water quality sampling and testing was carried out in accordance with the Ministry of Health's drinking water standards. Total water testing costs for the year came to \$426,000.

The slight increase in cost from the previous year occurred as a result of the plant optimisation trials which produced increased sampling requirements. It was decided that it would be preferable for the Mabey Road Laboratory to do this work rather than attempt to carry out the work using Production treatment technicians.

A new sampling and analysis regime has therefore been established with a result that the Laboratory provides a more cost-effective service.

Vegetation control measures will be carried out in the water supply catchments in accordance with the Council's Forestry Management Plan and within a budget of \$158,500 so that the treatment plants receive good quality water.

WRC's Landcare Division carried out vegetation control measures to the satisfaction of the Water Group and provided regular reports. The cost of the work was \$153,000. This is slightly below budget due to a change in the animal culling programme. A deer culling operation was carried out in March/April in the Wainuiomata/Orongorongo catchments using amateur hunters.

Security of Supply: Long-term

Sufficient water will continue to be available on a daily basis to meet the 1 in 50 year return period drought situation. The related water supply infrastructure will be maintained and improved to meet the standards specified in the *Regional Water Supply Asset Management Plan*.

Previous projections have indicated that there is sufficient water available to meet the Region's demand during a dry summer, which has a 1 in 50 year return period. Supply projections were refined through a computer based sustainable yield model. This shows that the infrastructure is sufficient to meet this requirement until 2020 at current growth rates. Customers were consulted on the 1 in 50 year drought strategy, which is less than that of Auckland's 1 in 200 year strategy, though their system is less dynamic in its raw water supply.

The Council manages water supply assets in accordance with a planned programme of maintenance. The policy is that there is no deferred maintenance. The Asset Management Plan was prepared in accordance with the National Asset Management Steering Group guidelines.

Customers were also consulted during the year about security of supply. This means that either the Te Marua or Waterloo plants could be out of commission and the daily base water requirement of 145ML still met.

The Council has approved a 1 in 50 year drought strategy and a security of supply for water treatment plants of n-1.

Security of Supply: Short-term

By 30 June 2000:

Ongoing operational activities will be maintained as specified in the *Regional Water Supply Asset Management Plan* within a budget of \$8,350,000.

All ongoing operational activities were completed in accordance with the Water Group's documented programmes. Actual costs were \$7,805,000. This is the total group expenditure but does not include corporate costs.

Service reservoirs will be kept at levels specified in the Wholesale Water Supply Agreement.

Customers have decided not to enter into a wholesale water supply contract. Water in service reservoirs was not allowed to fall below levels, which would cause problems to the customers.

The security of supply will be improved by providing standby power at the Te Marua Pumping Station. Installation to be in accordance with recognised engineering standards. Total project expenditure will be within a budget of \$650,000.

The project was completed at a cost of \$506,000.

The security of supply will be improved by rehabilitating the pipework from the Te Marua lakes to the treatment plant. Work to be conducted in accordance with recognised engineering standards. Total project expenditure to be within a budget of \$530,000.

The work was completed during the year at a cost of \$580,000 with some minor contractor claims outstanding. Lack of competition for this type of work resulted in a price greater than expected.

The security of supply will be improved by replacing selected meters, telemetry and control equipment throughout the water supply network. All equipment will be of recognised quality standard. Total expenditure will be within a budget of \$500,000.

All the revenue meters have now been replaced, some production meters are included in the next stage. Expenditure for the year was \$509,000. The slight over expenditure results from a timing difference between years of a multi stage project. It relates to imported materials. Expenditure in 2000/01 will be reduced by \$9,000 accordingly.

Environmental Management: Long-term

All water supply activities will be undertaken in an environmentally sympathetic manner according to the principles of the *Resource Management Act 1991*.

The Council acquires and complies with all appropriate resource consents. The consents govern the quantity of water that can be drawn from each source and how much must remain. They are also sought for any discharges from the treatment plants. All by-products from the plants are processed through wastewater recovery plants and removed off site.

The Council obtained ISO 14001 for its water supply activities at the end of the year.

Customer Service: Long-term

The Council will demonstrate that it has a high standard of customer service. It will provide customers with up-to-date and relevant information, as well as listening and responding to their needs.

The Council has a policy to provide excellent customer service to all customers. Regular communication has been maintained with each of the metropolitan authorities to ensure service levels are being met. Publication of an annual Business Report, which started in 1997/98, is in line with this policy.

Environmental Management: Short-term

By 30 June 2000:

All appropriate resource consents will be obtained and conditions complied with, within a budget of \$80,000.

Resource consents are held for the right to take water at all sites and for all discharges. All conditions were complied with, except the discharge consent for supernatant at the Wainuiomata WTP. This expired before a new consent was issued. There was no breach in the specification of the material discharged. Expenditure on resource consents was \$78,300.

Customer Service: Short-term

By 30 June 2000:

Customers will be provided with a business report by 31 October 1999 which will include the following information:

- Financial results for the 1998/99 year.
- Operating costs that are benchmarked against other providers. Structural anomalies will be removed as far as possible to allow relevant comparisons.
- Actual quality compared with targeted performance.
- A list of incidents where supply has been interrupted, together with the time taken to respond and repair.
- A report on compliance with resource consent requirements.

Customers were provided with an annual business report late in November. It included all the subjects in the bullet points. Although a section was included on resource consents, it did not specifically mention compliance.

Water Supply - Performance Indicators

Collecting, Treating and Delivering Water

Operations

Operations Group

Overview

Manager's Commentary

Since the reorganisation of the Water Group commenced we have progressed through several stages. These stages have intrinsically occurred on an annual basis moving through reorganisation, assessment and consolidation. At times concern has been expressed as to whether we have over reacted to the need for reorganisation to reduce costs and improve efficiency. In spite of all protestations that too much emphasis has been placed on reducing staff costs it would appear that the current workload can be accommodated by the existing staff.

The appointments that have occurred over the past three years have been justified by the performance achieved and I count myself fortunate in the calibre of staff within the Operations Department.

Within the Production Department, chemical costs have reduced, staffing costs have reduced and a great deal of work has been carried out on updating the facilities. Unfortunately, power costs have increased during the year which has adversely affected the overall figures.

Within the Distribution Department, staff have been involved in a large amount of capital work having proved that they are capable of completing large work activities within budget and on time – proving that they can compete with outside contractors.

Staff from both Departments have been deeply involved in the development of various initiatives including, but not limited to, the:

- Environmental Management System;
- Asset Management System;
- Health and Safety System, and last but not least;
- System Optimiser.

In addition accreditation has been retained for the ISO 9002 Water Quality Plan.

During the next year we will develop a maintenance system to ensure the maintenance of our assets will be preserved. At this moment in time we believe that it will be based on the concept of reliability centred maintenance. However, further development and research work is necessary before a decision is taken on the way forward.

In addition, we will be looking at some problems with taste and researching the possibility of THM's being developed during the treatment of lake water. Consequent with this will be the research into lake management at Te Marua.

Investigations into power utilisation will continue and we will further develop the concept of on site cost monitoring.

Operations

Financial Review

For the Twelve Months Ended 30 June 2000

In association with the above, further research will be carried out into the utilisation of lime which is causing problems.

Further investigation will occur into the use of chemicals and alternative methods determined to reduce costs and improve the quality of our treated water.

The Production Manager has developed an electronic timesheet that will reduce administration costs. It is my intention to expand the use within the other departments of the Operations Group.

The Network Section has operated well under trying circumstances - it is difficult to achieve results when one's future is under a cloud.

The management triumvirate of Maseina Aiomanu, Whare Henry and Andrew Curry have produced excellent results.

The introduction of the Job Despatch System has reduced administration costs and has enabled us to more accurately monitor our performance. Further development will occur during the coming year.

Contract negotiations with Wellington City Council have been lengthy, drawn out and not without its drama, however, we now have a workable agreement that should enable the Network Section to create a cash surplus during the coming financial year.

Even with the uncertainty, the Section produced an extremely good financial outcome, which is dependent on the outcome of final negotiations. I believe that we should at least go close to a break-even situation for the past two years. Not bad given the fact that \$700,000 has been taken out of the costs.

The reorganisation of the Network Section has been completed apart from possible minor tweaking and an incentive scheme has been put in place to hopefully improve efficiency and increase the quality of our workmanship.

Operations - Total Excluding Network

Statement of Financial Performance

For the Twelve Months Ended 30 June 2000

Operations - Total Excluding Network

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Operations - Total Excluding Network

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Operations (Network)

Statement of Financial Performance

For the Twelve Months Ended 30 June 2000

Operations (Network)

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Strategy and Asset

Strategy and Asset

Statement of Financial Performance
For the Twelve Months Ended 30 June 2000

Manager's Commentary

Strategic

- An integration investigation process has started with HCC and WCC. This follows from an earlier initiative between WRC and WCC, which was at a very early stage before HCC joined.
- A long-term financial strategy has been prepared, including an evaluation of supply and demand and the requirements for the next water source. Some aspects of the investigation looked out as far as the year 2030.
- ISO 14001. Accreditation was achieved at the end of the financial year. This is built around the Environmental Policy statement for the Water Group.
- A risk policy was prepared and approved by the Utilities Services Committee.
- A substantial marketing report was prepared indicating the various initiatives used to show the Water Group in a positive light with the community, but in a relatively low-key way.
- Technical agreement has been reached in principle with HCC to allow them to use the Wainuiomata water tunnel for one of their pipelines in connection with their wastewater project. This will allow the Wainuiomata Waste Treatment Plant to be closed improving the health of the Wainuiomata River in the lower reaches. A formal agreement is expected to be concluded early next financial year.
- An application has been made for surface water consents for a period of 35 years. These consents will work in unison with the aquifer consents already obtained.

Development

- The MITS Hansen Asset Management System was completed during the year and is now fully operational.
- Further development has taken place of "Wonderful Water", which is part of the WRC internet site.
- All the main water revenue meters have now been replaced. The benefits of this are mainly at low flows where the meters are more accurate than those they replaced.
- Investigations have started into using the Moera aquifer, which is below the Waiwhetu aquifer. Although it has limited potential it could assist with peaking capacity, which can be a problem in summer once there has been several days without rainfall.

Strategy and Asset

Statement of Financial Performance
For the Twelve Months Ended 30 June 2000

- A new inlet main was laid from Petone to HCC's Rahui reservoir.
- A standby generator was installed at the Te Marua pumping station in time for a potential Y2K event. This now means there is standby power at the three main water treatment plants and the Te Marua pumping station.
- Some progress has been made on seismic evaluation work.
- The first stage of an optimiser project was completed. This controls the Wainuiomata and Waterloo water treatment plants and the various pumping stations supplied with water from these plants.
- Computer software called Q Pulse is now operational. It is a document control system. Uses include ISO 9002 and 14001, staff training records.

Operational

- There was an increase in the number of media releases during the year. This was part of a strategy to achieve a higher standard of public relations.
- A school education programme about water issues has started. The Environment Division is leading this with assistance from Utility Services.
- A report on the public perception of water quality was well received by the Utility Services Committee. It also resulted in print media and television commentary.
- The second annual business plan was prepared and distributed.
- Television was the main medium last summer for the conservation water programme. An advertisement featuring Maggie Barry was successful with a higher recall by the public than the print media advertisements in the previous year.
- Benchmarking work was completed. The main comparator is Water Care Services Ltd and a presentation was ready to go to the Utility Services Committee in July 2000.
- Pest control work in the Orongorongo and Wainuiomata Catchments this year involved the use of amateur cullers.
- The Utility Services Committee approved a programme of managed access for the Wainuiomata and Orongorongo catchments.

Strategy and Asset

Statement of Financial Performance
For the Twelve Months Ended 30 June 2000

- Optimising the output from the Te Marua Water Treatment Plant with the use of a UK based consultant has been very successful. When there is good quality raw water the clarifiers are now bypassed and the plant operates in direct filtration mode. This reduces the chemical and energy requirements.
- The Buick Street pumping station has been closed and Petone water now comes from the Waterloo water treatment plant.
- The Utility Services Division achieved ISO 9002 accreditation for another 3 years.
- A resource consent was obtained to discharge supernatant into the Wainuiomata River when it is not desirable to recycle it to the start of the water treatment process.
- Capital works expenditure for the year was close to budget, once the re-budgeted items were allowed for.
- Costs for the Strategy and Asset Group are below budget for the year.
- A three-year energy contract has been negotiated for the major usage sites. Unfortunately energy prices are now rising compared to the situation the year before.
- A separate contract has been negotiated with UnitedNetworks for network services. This concerns the physical aspects of the electricity system and will allow us to establish a closer working relationship with the network provider without going through an energy company.
- The section of the Orongorongo to Karori main from Randwick to Korokoro was recommissioned during the year to supply the new Rahui reservoir.
- The first stage of recommissioning the Orongorongo to Karori main between Thorndon and Karori was completed.
- Refurbishment of the pipeline between the Te Marua water treatment plant and the lakes was completed.
- There has been a substantial improvement in the quality of water from the Wainuiomata treatment plant. However, there are still some minor problems with turbidity spikes. This is something that will be addressed in the coming year by the operational staff.

Strategy and Asset

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Strategy and Asset

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Engineering Consultancy

Manager's Commentary

During the year an extension was negotiated with WCC regarding services relating to plan records and provision of information. Advice had previously been received that these services would expire at the end of December 1999. If this had happened there would have been significant dislocations to staff working programmes.

The operating surplus of the Group for the year was \$191,500, compared to the budget of \$65,400. Expenditure was slightly below budget but income significantly higher than budget. This latter favourable variance arises partly from the fixed price items carried out for WCC in the OM Series, as well as the additional project hours of input. These were 80.6 percent of paid hours, compared to the budgeted 72 percent. More work was carried out for Plantation Forestry Department, being mainly the Rallywoods bridge project.

The expenditure on materials includes items supplied from the Network Depot for use on WCC Capex projects. The costs of these items are offset by external revenue.

The assets acquired during the year were the replacement car for the Manager and the urgent replacement of the plan printer. This expenditure was budgeted for the 2000/2001 year but was brought forward by the demise of the old plan printer.

Engineering Consultancy

Statement of Financial Performance

For the Twelve Months Ended 30 June 2000

Engineering Consultancy

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Laboratory Services

Laboratory Services

Financial Review

For the Twelve Months Ended 30 June 2000

Manager's Commentary

A difficult year for the Laboratory with a change in Manager and subsequent loss of the Upper Hutt City Contract and a reduction in Environment Division work. This loss was somewhat offset by additional work now being carried out for Operations. Costs were also as detailed but a surplus of \$42,000 was still generated. This year expectations are that we should hit a surplus around \$80,000.

Laboratory Services

Statement of Financial Performance

For the Twelve Months Ended 30 June 2000

Laboratory Services

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Support Services

Support Services

Statement of Financial Performance
For the Twelve Months Ended 30 June 2000

Support Services

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Plantation Forestry

Plantation Forestry

Statement of Financial Performance
For the Twelve Months Ended 30 June 2000

Manager's Commentary

Harvesting

Harvesting is now concentrated on Pakuratahi. During the quarter there were up to four crews operating but latterly due to the onset of winter this has reduced to one "radiata" crew and a part time "corsican" crew.

As a consequence of good weather and high crew numbers we harvested a further 14,412 tonnes for an income of \$ 461,261 before adjustments. This gave annual figures of 63,724 tonnes and \$1,863,252. All in all a pretty good year.

I have been surprised with the average stumpages achieved out of these blocks. There have been comments from without and within that the ground in Pakuratahi was far too hungry for radiata yet we have achieved the same or better stumpages as those from Whakatikei. It is fair to say that due to the silvicultural regime adopted at Whakatikei output from there was less than optimal.

There is an industry shortage of hauler crews that may affect our ability to achieve planned outputs in the future. Rayonier have secured a second crew who are programmed to start in October. We will need to keep these two crews on site for as long as possible. We also need to plan our strategy for future harvests so that we can secure crews for the work. We should perhaps increase the lead-time between calling tenders and actual work commencing.

Work on the Rallywoods Bridge commenced on 3 July and has progressed well since. A contract has been let to upgrade the road from Bulls Run Road to the bridge. This had to be done sooner or later so it was brought forward to ensure easy access for concrete trucks servicing the bridge construction.

Financial

A further three good months with a final result only just short of what I thought was a very ambitious budget!

Costs are generally tracking just below budget except for roading which continues to be our greatest expense.

Silviculture

The new contracts for the forthcoming year are all signed. Last year's work is all but completed with just the tail end of the Mangaroa block to be completed. The contractor on this block "abandoned" the contract part finished last February and it has been reallocated.

Plantation Forestry

Explanation of Material Variances

For the Twelve Months Ended 30 June 2000

Plantation Forestry

Financial Review

For the Twelve Months Ended 30 June 2000

Log Harvest	Actual Volume (tonnes)	Budget Volume (tonnes)	Actual Revenue \$000's	Budget Revenue \$000's
1 July to 30 September 1999	17,980	15,000	1,078,700	334,700
1 October to 31 December 1999	14,864	15,000	1,104,100	613,100
1 January to 31 March 2000	14,681	15,000	1,069,200	613,200
1 April 2000 to 30 June 2000	14,412	15,000	1,005,500	334,770
Total Year 1999/00	63,724	60,000	4,257,500	1,895,000
1 July to 30 September 1998	8,290	12,461	159,900	299,200
1 October to 31 December 1998	14,618	12,461	198,200	299,200
1 January 1999 to 31 March 1999	14,819	12,461	227,800	299,200
1 April 1999 to 30 June 1999	20,421	12,461	695,000	299,200
Total Year 1998/99	58,148	49,844	1,280,900	1,196,800

Silviculture Payments	1998/99 Actual	1999/00 Actual (Note 1)	1999/00 Budget (Note 2)
July	29,371	2,070	12,576
August	33,112	27,048	12,576
September	31,884	3,450	12,576
October	-	9,614	12,576
November	8,570	28,065	12,576
December	7,830	26,514	12,576
January 2000	19,669	10,300	12,576
February 2000	22,346	15,042	12,576
March 2000	13,745	32,727	12,576
April 2000	8,598	-	12,576
May 2000	13,520	13,552	12,576
June 2000	15,215	3,815	12,576
	203,860	172,197	150,912

Note 1: Includes some 1998/99 payments that were accrued. The values stated are on a "cash" basis.

Note 2: The 1999/00 Budget figures represent a silviculture contract value for the full year of \$150,912.

Plantation Forestry

Financial Review

For the Twelve Months Ended 30 June 2000

Plantation Forestry

Statement of Financial Performance for Logging and Maintenance
For the Twelve Months Ended 30 June 2000

Plantation Forestry

Financial Performance with Unrealised Gain in Value of Investment
For the Twelve Months Ended 30 June 2000

Plantation Forestry

Logging Income : Rayonier Contract
1999/2000

Appendix 1
Variable Cost Information

Appendix 2
Capital Expenditure Summary
