

REPORT

TO: Council's Enterprises Subcommittee
FROM: Chairperson
DATE: 15 September 2010
SUBJECT: **Chairperson's Report - Report FN10-09-09**

The three years of this Council has been an interesting time to be in business. From the excesses of the 1990's to the reality of financial institutions turning bad has been a sobering period of time.

As a committee of Council responsible for overseeing trading enterprises, we have worked through this time without having a deal turn to custard. I regard that as a good achievement.

Port Tarakohe has been the most challenging of projects. I wish to commend Alan Kilgour for growing the business so that management costs are covered. This has enabled the port to develop with an increasing level of control and growing profitability. Looking forward, in my opinion it is important to 'follow the money' in making investment decisions, and not to be hung up by potential earners that don't come to anything.

TDC forests have maintained a steady turnover. It slowed with the market downturn, but harvesting contractors were in place to capture the high value markets of 2010. The extent of the turn around was unexpected, and is typical of the forest industry. Plantation forestry is an investment that yields what it will. It cannot be constrained to a predetermined cash yield, and does not accommodate debt well. For the record, the TDC Forest investment is good, the capital employed has all been recovered in the past and expansion has been funded from earnings. In my opinion it is important to manage the asset with goals of growing a quality plantation forest, providing public access and enjoyment, providing for biosolid disposal, and accepting the earnings as they arise. I don't think that these objectives fit well in a company structure, but do fit with Council ownership.

Motueka Airfield is continuing to show potential, but struggling to yield value to the Council as owner. It is a matter for the next Council to continue striving with, and if there is a willingness to pursue a return on capital employed, it should improve.

Oversight of TDC property dealings has been interesting. I have found satisfaction in assisting residents with leasehold property around Port Motueka to overcome their ownership struggle. Looking forward the Committee has opportunity to grow its revenues from property. There is a conflict between using the property to enable community development, rather than a cashflow. It would be good if these objectives good be quantified and costed out, so that the Enterprise committee can focus on earnings.

This final meeting of the Enterprise Committee for this term of Council is expected to be short, and has been called so that members can review our achievements and express opinions on the pathway forward for the next Council.

I wish to commend Jim Frater and Paul Wylie for their steady hand of guidance. Also for Russell Holden and Bryce Grammer in providing us with meaningful financial reports that assist in development decisions.

I have appreciated the opportunity to Chair this committee and have encouraged all Councillors to attend meetings.

In conclusion may I wish members well though the election process and look forward to seeing the development of activities for this committee.

Michael Higgins.
Chair, Enterprises Subcommittee

RECOMMENDATION

That the Chairperson's Report FN10-09-09 be received by Council's Enterprises Subcommittee.