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## **Public Excluded**

### **Report PE02.13**

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Report to the Policy and Finance Committee  
from Greg Schollum, Chief Financial Officer

## **Tranz Metro - Update**

### **1. Purpose**

To provide the Committee with an update of the Tranz Metro situation.

### **2. Public Excluded**

Grounds for exclusion of the public under section 48(1) of the Local Government Information and Meetings Act are:

*That the public conduct of the whole or relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists (i.e. to carry on commercial negotiations).*

### **3. Background**

The Committee will be aware that on 5 October 2001 the Council approved a series of resolutions in relation to Tranz Metro. Since 5 October 2001 officers have been working on implementing those Council resolutions.

The last update provided to the Committee was on 18 December 2001 when officers provided an oral report.

### **4. Comment**

Since the 18 December 2001 meeting of the Committee, progress has been made on a number of fronts as follows:

#### 4.1 **Partner Selection Process**

- Responses to the Request for Qualification were received and a shortlist of four interested parties was prepared.
- Responses were invited from the shortlisted parties to the Request for Proposal.
- The Commerce Commission in effect decided not to make a decision in respect of Stagecoach's application for Commerce Commission clearance (I understand that Stagecoach intends to appeal this stance taken by the Commission).
- Advice was received on 25 January 2002 that the National Express Group (one of the four shortlisted parties) wished to withdraw from the partner selection process. Essentially National Express appears to have decided that the level of uncertainty remains too high to warrant investing a large amount of money in the Request for Proposal process.

#### 4.2 **Funding Commitment from Transfund NZ**

Officers are currently working on an application to Transfund NZ for approval of a sole supplier negotiated procurement model (a special competitive pricing procedure). Officers plan to have this application considered by the Transfund NZ board in March 2002.

#### 4.3 **Government**

There remains a good level of communication with key Government officials on the WRC proposal. The next meeting is scheduled for 29 January 2002. Officers should therefore be in a position to update the Committee on 31 January 2002.

#### 4.4 **Tranz Rail**

Officers met with senior management from Tranz Rail on 25 January 2002. Tranz Rail now appears to be focussed on actively selling Tranz Metro Wellington (as opposed to just announcing that it intends to exit passenger services).

Tranz Rail is also keen to assist the Council in its partner selection process to help ensure that all ongoing operational issues associated with sharing track/infrastructure between two operators (Tranz Rail for freight and the JV company for passengers) are appropriately dealt with.

Interestingly Tranz Rail signalled that it does not want a repeat of the long drawn out and frustrating sale process in Auckland.

#### 4.5 **Liaison with TLA's**

A number of briefings were held with TLA's just prior to Christmas and an inter Council Rail meeting was held at the Porirua City Council offices on 17 December 2001.

While a number of matters were agreed at the inter Council Rail meeting, some of the TLA's (as represented by the Mayors) would prefer that Wellington Regional Council conduct due diligence before committing to an ownership model.

As the Committee is aware, due diligence is a process conducted by serious purchasers so it would appear that the TLA's have implicitly accepted that the WRC is a serious purchaser of some or all of the Tranz Metro business.

The WRC's preferred approach (as reflected in the 5 October 2001 resolutions) is to select a Joint Venture partner before conducting due diligence while recognising that this does not irrevocably commit the WRC to the acquisition.

Further briefings are planned on 12 and 13 February 2002 for the Masterton District and Upper Hutt City Councils.

#### 4.6 **Liaison with other interested groups**

The General Manager met with the Chief Executive of the Wellington Regional Chamber of Commerce on 17 January 2002 in an attempt to better understand the Chamber's position on the Rail issue.

Mr Stone called the meeting after noting a rather hostile attitude from the Chamber, including what appeared to be a selective sharing of information with Chamber members. (e.g. distribution of the letter to the Council Chairperson from the President of the Chamber but not the reply from the Council Chairperson.)

Time will tell if the meeting had any impact.

### 5. **Where to from here?**

As noted earlier in this report, officers are proceeding to implement, as far as practicable, the resolutions of the Council on 5 October 2001.

Passenger Rail in Wellington is a complicated situation with many interrelated pieces of the puzzle to pull together.

The next key steps are selection of the preferred Joint Venture partner and clarification of the long term funding commitment from Transfund NZ.

Also, it is my intention to hold a workshop on Rail issues during February/March 2002 primarily for the purposes of explaining in detail the legal documentation that has been developed by officers. Such a workshop will include both Councillors and directors of WRC Holdings Ltd (as the entity that will be signing off such documentation) and the key advisors who have assisted Council to get to the point that we have.

### 6. **Communications**

Interest in this issue remains high.

Officers will continue to be alert to communications opportunities as the process unfolds.

While it is too early for full public consultation on the potential purchase (as insufficient details are available) the fact that the issue continues to be well reported means the public will be well briefed when consultation proper begins.

**7. Recommendations**

*That the Committee recommend to Council that it receive the report and note its contents.*

GREG SCHOLLUM  
Chief Financial Officer