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## **Public Excluded**

## **Report PE02.388**

24 June 2002

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Report PE02.388.doc

Report to the Policy, Finance and Strategy Committee  
from Murray Kennedy, Project Manager Regional Rail

## **Rail Joint Venture – Heads of Agreement**

### **1. Purpose**

To seek approval of the Heads of Agreement document between the Council, WRC Holdings Limited and New Zealand Bus Limited, trading as Stagecoach (refer Attachment 1).

### **2. Exclusion of the Public**

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 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 would exist, i.e. commercial negotiations.*

### **3. Background**

The Heads of Agreement is the first document that is required to be approved by the Council in order to put into effect the Council's resolutions in relation to the potential acquisition of Tranz Metro (Wellington).

The Heads of Agreement has been developed by Council's legal advisors, Chapman Tripp, with assistance from Council officers. In addition, comment has been sought from interested parties, including Stagecoach, as part of the partner selection process.

The draft Heads of Agreement was considered by Councillors at the workshop held on 20 June 2002 and subsequently signed off by WRC Holdings Limited at a Directors meeting on 27 June 2002.

At the time of writing this report a formal sign off has not been received from Stagecoach New Zealand. The Company is awaiting approval from its shareholder in the UK, although we understand that this is expected to be a formality.

I will update the Committee at the meeting on 4 July.

#### 4. **Nature of the Heads of Agreement Document**

The Heads of Agreement is essentially a non-binding agreement consistent with the nature of the arrangement with Stagecoach at this point (i.e. one of engagement not marriage). It includes suggestions made at the Council Workshop on 20 June and some changes requested by Stagecoach.

The Heads of Agreement records the intentions of the key parties and signals the areas where further work needs to be done. However, it is important, in that it crystallises the start of a relationship with our preferred partner. It also means we will shortly be in a position to commence negotiations with Tranz Rail over the potential purchase of Tranz Metro (Wellington).

Attachment 1 does not include the draft Company Constitution or the Shareholders Agreement, these have not changed from the copies provided to Councillors before the recent Council Workshop on the rail governance issues. These agreements will be attached to the signed copy of the Heads of Agreement.

#### 5. **Communications**

Concluding the Heads of Agreement is an important step in the process of the Joint Venture acquiring Tranz Metro (Wellington). Officers suggest that a joint media communication with Stagecoach be prepared.

## 6. Recommendations

*That the Committee recommend to Council that it:*

- (1) Approve the Heads of Agreement to be signed by the Council, WRC Holdings Limited and New Zealand Bus Limited.*
- (2) Authorise the fixing of the Common Seal of the Council to the Agreement.*
- (3) Invite New Zealand Bus Limited, trading as Stagecoach to issue a joint media release.*
- (4) Approve Report PE02.388, but not Attachment 1, being made public at the time a media release is issued.*

Report prepared by:

Approved for submission by:

MURRAY KENNEDY  
Project Manager, Regional Rail

GREG SCHOLLUM  
Chief Financial Officer

**Attachment 1: Heads of Agreement Document**