



*caring about you & your environment*

## **Public Excluded**

### **Report PE02.4**

25 January 2002

File: CFO/9/1/1

AE: Reports/WRC Holdings/2002

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

## **Composition of Boards of Directors – Council LATE's**

### **1. Purpose**

To seek approval from the Committee to suggested changes to the composition of the Boards of Directors of Council's 100% owned subsidiary companies.

### **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 protect the privacy of natural persons).*

### **3. Background**

The Council's three 100% owned companies, WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd all currently have the same boards of directors as follows:

Stuart Macaskill (Company Chairman)  
Margaret Shields  
Euan McQueen  
Jim Rowe  
Alison Lawson

These directorships have been in place since mid 1999.

In practice we have found it convenient to have common directorships between the three companies as a Group Statement of Corporate Intent (SCI) is prepared each year for the

WRC Holdings Group and the directors' meetings of the three companies are run concurrently. This commonality of membership reduces administrative costs and it in effect means that the accountability channels for all of Council's 100% owned equity investments is clear.

There is of course a separate board of directors for CentrePort. This report does not consider the composition of the CentrePort board. Nor does it address the composition of the board of the proposed Wellington Regional Rail Ltd which will need to be considered at a later date if the Council's Joint Venture proposal receives the necessary support.

I have attached the relevant background reports to the issue of composition of the boards of directors of the WRC Holdings Group.

- Report 99.218 (refer **Attachment 1**).

Report 99.218 considered the issue of size and composition of the boards of WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd. It contains background information on the legislative requirements (i.e. requirement to have at least two external directors) and the Council's response to these requirements, the appointment process and directors fees.

The key conclusion to be drawn from the Council's resolutions on Report 99.218 was that the Council wished to have a board of directors of five on each of the three companies, two of which would be external directors and three of which would be Councillors. (This of course had been the case up until the October 2001 local body election.)

- Report 00.344 (refer **Attachment 2**)

Report 00.344 reconsidered the composition of one of the three companies, Port Investments Ltd. In report 99.218, noted above, I had indicated that a change to one of the 2 external director positions may have been desirable. However, with the benefit of 12 months of operating the new boards of the three companies I recommended in report 00.344, and the Council agreed, to make no change to the composition of the Board of Port Investments Ltd (May 2000).

In reaching its decision in May 2000 the Council resolved that it:

“note that the directorships of all 100% owned Council companies will be reviewed by the Council at an early opportunity after the 2001 local body election”.

This report (report 02.4) is putting that May 2000 resolution into effect.

- Report 01.601 (refer **Attachment 3**)

Report 01.601 in effect bought some time following the October 2001 local body election to allow the issue of directorships to be properly considered by the new Council.

The Council approved the resolutions in report 01.601 and thereby retained the existing boards of directors of all three companies (including the chairmanship of the companies) until 28 February 2002.

As a result the current composition of the boards of directors of all three 100% owned LATE's is as follows:

Stuart Macaskill (Chairman and external director)  
 Margaret Shields (Councillor)  
 Euan McQueen (external director)  
 Jim Rowe (external director)  
 Alison Lawson (external director)

The current composition is therefore one Councillor and four external directors.

#### **4. Issues to Consider**

There are a number of issues which are of relevance to the composition of the boards of directors of the three companies WRC Holdings Ltd, Pringle House Ltd, Port Investments Ltd.

##### **4.1 Should the composition of the boards of all three companies be the same (as is the case now)?**

I believe that the commonality of membership should be retained between the three companies as it has proven to be a successful formula in the past and, as noted above, it is cost efficient.

##### **4.2 Should the composition of the boards of three Councillors and two external directors be retained?**

The LATE provisions of the Local Government Act require that at least two directors of every LATE are external directors. (There is no legal maximum).

The intention of the Council when it considered report 99.218 was for the Council to control each board through the appointment of three elected Council representatives (i.e. three Councillors and two external directors).

However, given the background of the individuals involved and the track record of how the boards have operated (effectively by consensus) I see no need to retain the requirement for elected Council representatives (current Councillors) to hold the majority of the board positions.

I therefore recommend moving to a position where elected Council representatives do not necessarily need to dominate the boards of directors, for each of the three companies. In order to put this into effect, the Council will need to pass a special resolution as shareholder in WRC Holdings Ltd amending that company's constitution.

**4.3 Should the Council Deputy Chairperson be represented on the Boards of Directors?**

The Council Deputy Chair has historically been a director of the three companies in addition to the Council Chairperson, and I believe that it makes sense to continue with this approach.

**4.4 Should the size of the boards be increased from the current five to accommodate the addition of Terry McDavitt?**

The companies have operated successfully with a board size of five and I see no reason to increase the board size for any of the three companies. Although WRC Holdings Ltd will be responsible for governance over Council's interest in Wellington Regional Rail Ltd (should the proposed Joint Venture be consummated) the prime responsibility will rest with the directors of Wellington Regional Rail Ltd (as is the case with CentrePort Ltd).

**4.5 If the size of the boards is to remain at five, which of the existing directors should make way for Terry McDavitt?**

Stuart Macaskill, the current Chairman of WRC Holdings Group, was Chairman of the Council for 15 years. In that time Stuart built up a vast amount of knowledge about the Council and its activities including Council's interest in CentrePort. More particularly in the past 12-18 months Stuart has been intimately involved in developing Council's public/private partnership as a means of resolving the passenger Rail problems in the Region.

In my view it is important that Stuart is retained as a director throughout this triennium.

Margaret Shields, as the Council Chairperson, clearly needs to remain a director.

Euan McQueen with strong transportation sector knowledge and experience (over 20 years) should be retained as a director, particularly given Council's proposed investment in passenger rail.

Of the remaining two directors, Jim Rowe and Alison Lawson, both are ex Councillors and both have served on the boards of the three companies with dedication and skill, and most importantly with the interests of the Council (as ultimate shareholder) uppermost in their minds.

I believe that the final decision as to which of Jim Rowe and Alison Lawson should be retained as a director should be based on a recommendation from the Council Chairperson.

**4.6 Is there a need to call for expressions of interest from potential external directors?**

In my view there is no need to call for expressions of interest for the position of external director. What is needed at this time is stability, particularly with the potential acquisition of 50% of Tranz Metro.

In fact, rather than searching for new directors this report identifies that one of the existing external directors will no longer be needed going forward.

#### 4.7 **Who should be elected Chairperson of the three companies?**

Stuart Macaskill is the current Chairman of the companies and continues in that role until 28 February 2002 by virtue of the Council resolution passed in response to report 01.601.

Stuart has been the company Chairman since the inception of the company structure in the early 1990's.

Although historically the role of the company Chairman has been filled by the Council Chairperson I see merit in separating these roles for the current triennium given the importance of clearly and transparently separating the funding and ownership roles in relation to passenger rail. Even if the proposed JV does not eventuate I see merit in separating the roles of Council Chairperson and Company Chairperson from an accountability point of view. I therefore recommend that Stuart Macaskill continue as Chairman of all three companies until after the 2004 Local Body elections when the matter should be reconsidered.

#### 4.8 **Should there be any change to the current scale of directors' fees?**

Current Councillors who serve as directors receive a daily allowance for attendance at directors meetings (much like a Committee meeting) whereas external directors receive an annual fee of \$12,500 for serving as director of all three companies. This amount was set after consultation with the Institute of Directors and with due recognition of the economies of scale of operating the three companies with common boards.

I see no reason to change the current basis of payment of directors.

### 5. **Summary**

In summary, I believe that with effect from 1 March 2002 the boards of directors of WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd should be:

Stuart Macaskill (Chairman)  
 Margaret Shields  
 Euan McQueen  
 Terry McDavitt  
 Either Jim Rowe or Alison Lawson

with no change necessary to the basis of payment of directors' fees.

In order to put this into effect a number special resolutions need to be passed by the Council as shareholder in WRC Holdings Ltd and by WRC Holdings Ltd as shareholder in Pringle House Ltd and Port Investments Ltd.

## 6. Communications

This represents an opportunity to reinforce in the minds of the public the seriousness with which the Council is in relation to clearly separating its funding and ownership roles in relation to transport.

## 7. Recommendations

*That the Policy and Finance Committee recommend that the Council:*

- (1) *Receive the report and note its contents.*
- (2) *Approve the following boards of directors with effect from 1 March 2002 for each of the Council's 100% owned subsidiaries; WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd.*

*Stuart Macaskill (Chairman)  
Margaret Shields  
Euan McQueen  
Terry McDavitt  
Jim Rowe or Alison Lawson (recommendation to come from Council  
Chairperson)*

- (3) *Note that the existing basis of payment of directors fees should continue.*
- (4) *As sole shareholder of WRC Holdings Limited resolve as special resolutions:*
  - (a) *to appoint the following persons as directors of WRC Holdings Ltd from 1 March 2002:*

*Stuart Macaskill (chairman)  
Margaret Shields  
Euan McQueen  
Terry McDavitt  
Jim Rowe or Alison Lawson (upon the recommendation of the Council  
Chairperson);*

- (b) *to remove either Jim Rowe or Alison Lawson from office as a director of WRC Holdings Ltd from 1 March 2002 (upon the recommendation of the Council Chairperson); and*
  - (c) *to amend the constitution of WRC Holdings Ltd by deleting clause 7.2 of the schedule to the constitution.*
- (5) *Note that WRC Holdings Ltd, as sole shareholder of Pringle House Limited and Port Investments Limited, will need to pass special resolutions:*
  - (a) *appointing the following persons as directors of Pringle House Ltd and Port Investments Ltd from 1 March 2002:*

*Stuart Macaskill (chairman)*  
*Margaret Shields*  
*Euan McQueen*  
*Terry McDavitt*  
*Jim Rowe or Alison Lawson (upon the recommendation of the Council*  
*Chairperson); and*

*(b) removing either Jim Rowe or Alison Lawson from office as a director of Pringle House Ltd and Port Investments Ltd from 1 March 2002 (upon the recommendation of the Council Chairperson).*

GREG SCHOLLUM  
Chief Financial Officer

**Attachment 1: Report 99.218**

**Attachment 2: Report 00.344**

**Attachment 3: Report 01.601**