

Meeting on Ports

5 September 2002

Present:

WRC	Chair/CEO/CFO
Horizons	Chair/CEO/CFO
Hawkes Bay	Chair/CEO

Intro/Background

- Horizons has resolved that it is a seller of Ports of Napier → draft Heads of Agreement prepared
⇒ Keen to rationalise investments.
- Some concern long-term with ports sector generally even though both ports are going quite well at present.
- A lot of competition between the two ports driving further capital investment.
- Feasibility study underway at present about P/North as a Regional hub for cargo [Vision Manawatu].

⇒ Potential for airfreight/rail/sea to be aggregated → could be run by the two ports.
- Horizons has no policy in respect of sale of CentrePort.

Opportunities for Synergies

- More collaboration between the two ports e.g. specialisation.
- Ability to mitigate mutual risk e.g:
 - ⇒ P & O big ships
 - ⇒ Back-up for earthquake scenario in either port.
- CentrePort already has some co-operative arrangements with Nelson.
- Ability/opportunity to set up inland port at, say Taupo, and take cargo south rather than let it go north.

Barriers

- Political patch protection.
- Potential valuation issues if joint shareholding being considered.
- Public consultation requirements under new Local Government bill are tougher.

- For Horizons, ports are purely investments rather than strategic assets (could change with cargo hub), a view not shared by WRC or Hawkes Bay.

Options

- No thorough analysis done yet, but potential options include:

Status quo

- Horizons selling Ports of Napier 8% share (Horizons see hold vs sell quite neutral)
- All three councils selling some shares

Holding Company owning shares in both ports:

- CentrePort
- Napier

With Councils owning share of Holding Company (or partial sale as second step)

More collaboration between the two ports, with no involvement from shareholders.

Where to from here?

- If no collective agreement to move forward then Horizons will sell Napier shares.
- Discussion/issues paper could be prepared to go to all Councils as a precursor to setting up joint working party.

Action Agreed:

WRC and Hawkes Bay would test the water with their Councils (and perhaps their Port Board) before responding to Horizons.