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Report 02.265
21 May 2002
File: CFO/43/1/1
AE:WPData/Reports/Various/2002

Report to the Policy, Finance and Strategy Committee
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Wellington Urban Rail Services

1. Purpose

To consider the alternative urban rail structure proposed by the Mayors/CEO's of the Territorial Local Authorities (TLA's) in the Wellington Region, and to compare it with the Council's joint venture proposal.

To provide advice so that the Committee can recommend to Council whether or not to proceed with the joint venture rail proposal (JV) as the Council's preferred approach.

2. Background

2.1 General

Although there have been a number of oral and written updates, the last substantive report on the future of Wellington Urban Rail Services was considered by the Committee on 5 October 2001 (Report 01.742). Report 01.742 outlined the background to the passenger rail situation, including the inherent problems with the current contractual arrangements.

As the Committee will be aware, the WRC has a long history of purchasing rail services, via a rail service contract with Tranz Rail, in circumstances where a quality rail service is seen as vital to the Council achieving its overall transport objectives as detailed in the Regional Land Transport Strategy (RLTS).

The current situation is characterised by Tranz Rail having control over all the key monopoly assets, including the track, meaning the Council has no choice but to contract with the current operator (i.e. Tranz Rail determines who can run trains).

Given its relative bargaining position under the current contractual arrangements, the Council has been unable to gain sufficient assurance that:

- It is receiving value for money in relation to the significant level of ratepayers' and taxpayers' money invested in rail services each year. (The current amount is approximately $18 million per year, including rolling stock refurbishment); and

- The rail operator is committed to providing quality passenger services over the long-term. This lack of long-term commitment manifested itself when, during the second half of 2000, Tranz Rail announced that it intended to exit from all passenger services, including Tranz Metro (Wellington). More recent announcements by Tranz Rail suggest that exiting from passenger services, while still a clear strategy, no longer has a fixed timeframe on it.

Without the necessary long-term commitment of the operator, backed by a long-term funding commitment from Government, the infrastructure supporting passenger rail services has been progressively starved of investment capital. The result of this has been a service which is now running at, or near, full capacity, living off "hand to mouth" funding streams via an annual contract and operating in an environment where there is a stated intention of the operator to sell (but not at any price).

Clearly the current situation is unsustainable and positive change is required in order to protect the future of the passenger rail service in the Region.

2.2 What did Council decide on 5 October 2001?

The resolutions passed by the Council on 5 October 2001 are attached as **Attachment 1**. In essence, on 5 October 2001 the WRC decided to continue to pursue the implementation of the JV option, as its preferred short-medium term solution, a course that had its origins at the Passenger Transport Committee meeting, nearly 12 months earlier, on 1 November 2000.

The 5 October 2001 reconfirmation was important because it paved the way for officers to progress a series of actions, including searching for a preferred JV partner, that were designed to put into effect the policy position of the Council.

2.3 What has happened since 5 October 2001 in respect of the Council's resolutions?

Since 5 October 2001 officers have been working steadily to implement the Council's stated policy position (i.e. implementing the JV option).

Report 01.742 outlined that the following broad steps were required in order to implement the Council's preferred JV option:

Step	Estimated Timing	Comment
(1) Consultation with TLA's in the Region	November 2000 -ongoing	Consultation has continued including a further attempt (via a CEO's working group) to reach consensus on the preferred solution to the Rail issue.

(2) Approval of preferred option - WRC's JV approach	February 2001 (reconfirmed October 2001)	WRC's policy position on the preferred solution to the Rail issue was established in February 2001 and formally reconfirmed on 5 October 2001.
(3) Development of draft documentation for the WRC public/private partnership (JV)	July 2001 (revised to April 2002)	The draft documentation, including the following: • Funding Agreement • Community Charter • Heads of Agreement • Shareholders' Agreement • Constitution (JV) • SCI was approved in principle in October 2001. However, feedback from shortlisted parties and from Councillors and officers has resulted in further refinement of the documentation since October.
(4) "Road testing" of draft documentation with interested Rail operators	August 2001 (updated February 2002)	Road testing occurred during August 2001 prior to the approval, in principle, of the documentation by the Council. This has been subject to further comment from interested operators as part of the RFP process.
(5) Council decision to take the next steps and approval in principle of draft documentation.	October 2001	On 5 October 2001 the Council reconfirmed that the JV approach was Council's preferred solution in the short-medium term and the draft documentation in support of the JV was approved in principle.
(6) Review and update of draft documentation as a result of road testing feedback and feedback from Booz Allen/OAG.	October 2001 (updated April 2002)	The draft documentation was updated as a result of feedback received and has been further updated since.

(7) Obtain Transfund approval of contestable partner selection process to ensure compliance with CPP.	October 2001 (revised to June 2002)	Transfund NZ officers declined to provide any assurance over the partner selection process. WRC officers and Transfund officers have been working since October 2001 on finding an appropriate means of obtaining a CPP for Rail services, covering a contract period of up to 10 years. The Transfund NZ Board is due to consider WRC's application for a CPP for Rail services at its meeting in June 2002.
(8) Selection of private sector partner to the satisfaction of the independent probity auditor.	December 2001 (revised to June 2002)	The selection process as outlined in report 01.742 has been followed and officers are in a position to recommend the selection of a preferred partner, should that be required.
(9) Signing of Heads of Agreement with preferred private sector partner ("Engagement" phase)	December 2001 (revised to June 2002)	Subject to Council decision to proceed.
(10) Completion of due diligence of Tranz Metro business as a going concern, with assistance from Govt in relation to track access.	March 2002 (revised to September 2002)	Subject to Council decision to proceed.
(11) Signing of Shareholders' Agreement with private sector partner, subject to public consultation results and law change ("Marriage" phase).	March 2002 (revised to September 2002)	Subject to Council decision to proceed.
(12) Establishment of JV company, in conjunction with private sector partner.	March 2002 (revised to September 2002)	Subject to Council decision to proceed.
(13) Signing of conditional Sale and Purchase Agreement with Tranz Rail if satisfactory deal can be reached.	March 2002 (revised to September 2002)	Subject to Council decision to proceed.

(14) Signing of conditional Corridor/Infrastructure Access Agreements with Tranz Rail or the Government.	March 2002 (revised to September 2002)	Subject to Council decision to proceed.
(15) Consultation with the public based on the conditional Sale and Purchase Agreement signed with Tranz Rail.	May 2002 (revised to November 2002)	Subject to Council decision to proceed.
(16) Government sponsored Law change to enable WRC to take an ownership interest in Tranz Metro.	June 2002 (revised to November 2002)	Subject to support from Parliament. (The Bill is expected to be introduced in June)
(17) Long-term funding certainty from Government to enable 10 year contract to be entered into.	June 2002	It looks likely that Transfund will not be in a position to guarantee long term funding notwithstanding any approval of a CPP for rail services covering a 10 year contract period.
(18) Finalisation of capital structure for JV company and related borrowing required by each partner.	July 2002 (revised to December 2002)	Subject to Council decision to proceed.
(19) Purchase of Tranz Metro (Wellington) from Tranz Rail.	August 2002 (revised to March 2003)	Subject to Council decision to proceed.
(20) Adoption of Community Charter, Company Constitution, SCI and Business Plan.	September 2002 (revised to March 2003)	Subject to Council decision to proceed.
(21) Signing of Funding Agreement (Rail Contract) between WRC and rail operating company).	September 2002 (revised to March 2003)	Subject to Council decision to proceed.

2.4 Ongoing Consultation with TLA's

In recent months the Council, in the interests of trying to achieve an accord among all local authorities in the Region, invited the Mayors of the Region to identify the best viable alternative to what the WRC was proposing. On 22 March 2002 the Region's Mayors and the Council agreed that a working group of Chief Executives from the Region's local authorities would be charged with identifying the best viable alternative to the WRC's JV proposition. At a subsequent meeting of Chief Executives and other officers it was agreed that the TLA CEO's (excluding the WRC CEO) would work on developing the best viable alternative to the WRC proposition.

On 14 May 2002 the Territorial Mayors/CEO's presented the basis of their alternative approach (refer to section 4 of this report for details).

It is important to note that the position of many of the TLA's in the Region with respect to WRC ownership of rail has moved significantly in the past 12 months.

For a large part of last year a number of the TLA's in the Region (as represented by the Mayors and Chief Executives) were strongly suggesting that WRC should take a 100% ownership interest in Tranz Metro, in order to be in a position to franchise the passenger rail operation. This was consistent with the preferred long-term solution identified by Booz Allen and Hamilton in their report in September 2001.

However, the revelations in recent months of the scale of problems in the Melbourne franchise arrangements appear to have lead to a change of view amongst some Mayors/Chief Executives as to the wisdom of franchising. As a result, franchising is no longer seen by the TLA's as their preferred approach.

Rather, those same Mayors/CEO's now believe the Council should continue with a pure contracting model, with no public ownership required. It is also important to note that other Mayors/CEO's of the Region's TLA's have been actively and consistently supportive of the WRC's JV proposition. The various positions can be expressed in the summary as follows:

Option 1	Option 2	Option 3
• WRC contracts for Rail services • 0% public ownership of key assets (excluding core infrastructure) ⇑ Current position of some Mayors/CEO's	• WRC contracts for Rail services • 50% public ownership of key assets (excluding core infrastructure) ⇑ WRC's preferred position supported by some Mayors/CEO's	• WRC Contracts for Rail services • 100% public ownership of key assets (excluding core infrastructure) ⇑ Previous position of some Mayors/CEO's

3. Overview of WRC's JV Proposal

Attached as **Attachment 2** is a summary of the WRC JV proposal. What is included in **Attachment 2** is an overview of the JV approach, which was prepared to accompany the full documentation detailing the JV approach. The enduring feature of the JV proposal is an improved long-term contract for Rail services, combined with 50% ownership of the key assets (excluding core infrastructure) which is seen by WRC as an important means of establishing, and bedding in, new improved contractual arrangements.

In deciding to go down the JV path the Council has been seeking to achieve two key objectives:

- **Public sector control cover the key monopoly assets (whether by outright purchase by Government or by the JV company negotiating the necessary track access arrangements with Tranz Rail); and**

- **An improved contract (long-term) for rail services, that includes the necessary transparency, assurance of value for money, focus on asset management and service quality**.

The Council position to date has been that partial ownership, at least for a transition period, is necessary in order to lock into place robust arrangements which appropriately balance the interests of the public and private sectors over the next 30 years.

The need for the Council to adopt a model involving an ownership interest reflects its dissatisfaction with the contractual relationship with the incumbent operator, and its concern that it is likely to be at a commercial disadvantage in establishing a new contract with a new operator. In addition, there are risks that the Council will not achieve its RLTS objectives while a private sector operator has effective and unregulated control over the monopoly asset, i.e. access to the rail corridor and associated infrastructure.

The Council has taken the position that a temporary ownership position will give it the opportunity to set in place the framework and relationships needed to allow it to eventually purchase rail services, solely through an arms length contractual relationship on an equal footing with the rail services operator. The Council has previously stated its willingness to exit its ownership interest once it is satisfied, <u>and only when it is satisfied</u>, that the necessary checks and balances are in place that will ensure it can meet its RLTS objectives solely through contract, as opposed to ownership.

Councillors may recall the mood of public opinion in relation to public ownership. When last tested on this issue during 2001, the public signalled strong support for what the Council was proposing.

4. The Solution Presented by the Mayors/CEO's of the TLA's

4.1 Introduction

As noted earlier in this report the Mayors/CEO's of the Region's TLA's have recently presented the Council with what some of them see as a preferred solution to the passenger rail issue (refer **Attachment 3**).

Essentially, some Mayors/CEO's favour a continuation of the contractual arrangements between WRC and Tranz Rail. They see no requirement for the WRC to take an ownership interest in passenger rail and they believe that WRC's public passenger transport objectives can be adequately met by improving the rail contract with Tranz Rail.

The proposition is based on a view that an improved contract will be achieved simply by offering Tranz Rail a longer term contract. In other words, they believe the necessary transparency, value for money assurances and focus on quality asset management planning and service delivery will be achieved by trading off long-term funding certainty with Tranz Rail. Officers understand that Booz Allen and Hamilton have been assisting the Mayors/CEO's of the TLA's in the Region to develop their contracting model.

4.2 Reflecting on the Booz Allen and Hamilton report (September 2001)

Councillors will recall that in September 2001 Booz Allen and Hamilton undertook a review of the passenger rail situation in the Region. Their report entitled "Delivery and Governance options for Wellington's Urban Railway" was considered by a joint meeting of TLA's and the WRC held in Porirua on 28 September 2001. The report was subsequently considered by the WRC, as the agency responsible for the purchase of rail services, at its meeting on 5 October 2001.

Prior to considering officers' views on the Mayoral/CEO proposition, Councillors might find it interesting to reflect back on what Booz Allen and Hamilton said about the pure contractual model, entitled the 'enhanced status quo", in their September 2001 report.

Booz Allen and Hamilton considered the enhanced status quo, along with the JV option and the option of buying 100% of the key assets to pave the way for franchising, as the three most viable options. What some Mayors/CEO's are now proposing is essentially what Booz Allen and Hamilton termed the "enhanced status quo".

Summarised below are the views of Booz Allen and Hamilton, in relation to the enhanced status quo (entering into a longer term contract with Tranz Rail in order to leverage concessions from Tranz Rail) as contained in their September 2001 report:

"The Tranz Metro business would be worth more to Tranz Rail with a longer-term funding commitment attached to it – therefore Tranz Rail should be willing to give concessions to achieve it".

"Possible concessions (depending on the term of the agreement) might include:
- *Commitment to invest in rolling stock renewal and other improvements.*
- *A defined performance requirement with incentives and penalties.*
- *Greater information disclosure.*
- *Ownership of the corridor/track rights (for a fee)".*

"This option may provide the lowest risk for the public sector but may not provide a satisfactory long-term solution".

"Even if an appropriately tailored long-term funding agreement was established, the enhanced status quo offers little leverage for WRC to ensure overall transport objectives are achieved".

"Government regulation is probably the only available mechanism to mitigate the deficiencies of this option:
- *Regulation could be justified because of Tranz Metro's monopoly and the significance of rail transport to the region.*
- *It is unclear whether appropriate incentives could be maintained in a regulated environment".*

"An enhanced status quo would not allow a reasonable purchasing framework for WRC".

"Even with a new operator in place the deficiencies of the current purchasing framework are likely to remain:
- *Lack of transparency leading to value for money concerns.*
- *WRC bears all investment risk.*

– *Inadequate incentives on both sides".*

"Without Government regulation there is no way to overcome these deficiencies without resorting to non rail alternatives (e.g. more buses adding to urban congestion)

– *There is no indication the Central Government would be willing to regulate urban rail services".*

"Even a Central Government takeover of the monopoly track assets is unlikely to offer a feasible solution.

– *Ownership of the rolling stock would form a formidable barrier to entry.*
– *A multi passenger operator environment is impractical.*
– *Even if WRC funding were withdrawn, the operator may elect to operate some commercial rail services restricting the WRC's ability to viably engage another operator".*

Booz Allen and Hamilton concluded in their report in September 2001 that, for the reasons outlined above, *"longer term the franchise model is likely to deliver superior overall results … but the issue is how best to transition to the franchise model*".

They also noted that "*a fast track transition to managed competition could be achieved via a short term operating support contract".* However, they went on to say *"the negotiated procurement framework proposed by WRC (the JV option) would have a number of advantages, albeit involving a longer transition period".*

The key point to take from these comments is that of the three options considered, including the enhanced status quo of entering into a new longer term contract with Tranz Rail, Booz Allen and Hamilton considered that either 50% or 100% ownership was required.

In other words, Booz Allen and Hamilton considered the enhanced status quo (just relying on a contract with no control over the key assets) to be inferior to the other two options, including the WRC's JV proposal.

4.3 Officers' views on the contractual model proposed by the Mayors/CEO's

Officers have reviewed the discussion paper entitled *"Options for Wellington Rail: A discussion paper issued by the TLA's"* and have the following observations:

- The discussion paper prepared by the Mayors/CEO's tends to focus a lot on the JV approach. For that reason officers have separately responded to such comments within section 4.4 which follows.

- The discussion paper prepared by the Mayors/CEO's of the TLA's relies on WRC renegotiating a long-term contract with Tranz Rail which would have the following features.
  - Transparency
  - Value for money assurance
  - Focus on asset management
  - Provides incentives for reinvestment

  Clearly, these features are entirely consistent with what the WRC is aiming to achieve in respect of any new rail contract entered into with the operator of the Region's passenger rail services (currently Tranz Rail).

The key question is not "what" is sought, over which there is little disagreement between the TLA's and WRC, rather the point at issue is "how" we go about it.

In a sense this is the nub of the debate. The key question for Councillors is which approach is most likely to deliver both the type of contract we are seeking and the necessary public sector control over track access?

It is in relation to this key point that officers have the most difficulty with what the Mayors/CEOs propose. In our view the Mayors/CEO's have not adequately explained how the WRC will achieve the sort of contract that we are seeking and they appear to pay scant regard to WRC's experience over the past 10 years of negotiating with Tranz Rail (i.e. they appear to over simplify what has proven to be an unsatisfactory and difficult contractual relationship in the past).

What the TLA discussion paper does not acknowledge is the past record of Tranz Rail in steadfastly refusing to make available any information in support of the cost of the rail services provided. As recently as several weeks ago this was confirmed as the Tranz Rail position. There is now the prospect of Tranz Rail wishing to increase fares to pay for the additional services that have commenced during 2001/02, rather than provide WRC with a clear breakdown of the cost of these additional services.

- The discussion paper prepared by the Mayors/CEO's appears to gloss over the issue of which party will determine the future train operator.

  Should WRC follow the approach proposed by the Mayors/CEO's, WRC will enter into a long-term rail contract with Tranz Rail. Clearly such an approach would add to the value of the Tranz Metro business and should Tranz Rail decide to proceed with its publicly announced intention of selling Tranz Metro it would be in a position to realise more for the business once a long term contract had been agreed. However, it would also mean that Tranz Rail, rather than WRC, would determine who the next rail operator would be. Under this scenario Tranz Rail would have little incentive to ensure the new rail operator was a quality operator, as Tranz Rail's primary focus would be on maximising its sale price (subject to being comfortable with all the inter connection agreements and shared arrangements which would need to be negotiated between Tranz Rail and the new operator).

- The discussion paper prepared by the Mayors/CEO's makes the statement that it is not clear why, if Tranz Rail has been earning excessive profits, it has been so eager to quit the business.

  The inference in this statement is that profitable businesses are never sold. Of course, businesses both profitable and unprofitable are sold all the time. The key objective for the seller is to achieve fair value for the assets sold (or in excess of fair value if they can achieve it).

  In other words, to infer that if Tranz Rail is selling Tranz Metro (Wellington) it must be unprofitable is in the view of officers a very shallow analysis. The motivations of the seller are often more to do with their overall financial position (i.e. balance sheet gearing) and the 'fit' of the particular assets or business within the context of their overall business. In this respect, it is common for companies to exit businesses they see as non core to allow them to focus on core business.

  Notwithstanding the motivations for sale, the seller should be always looking to realise fair value.

4.4 Officers' comments in response to criticism by the Mayors/CEO's of the WRC's proposed Joint Venture approach

- The TLA discussion paper includes comments that "the Crown is unlikely to be prepared to obtain control of the core infrastructure and that Regional Councils are not permitted to own transport infrastructure", as reasons to rule out the JV model as a viable option.

In the view of officers this analysis is incomplete. Whether or not the Government takes back control of the core infrastructure is <u>not</u> a key factor affecting the JV model. The JV company needs to negotiate track access with either Tranz Rail (if Tranz Rail doesn't sell the core infrastructure back to the Crown) or the Government (if Tranz Rail does sell the core infrastructure back to the Crown). In other words, the JV option can proceed under either Tranz Rail <u>or</u> Crown ownership of the core infrastructure.

The WRC has always clearly stated the JV option can only proceed if the Government is prepared to change the law and it is public knowledge that the Government is currently finalising legislation which will enable Regional Councils to own transport infrastructure in future.

Therefore neither of these matters should rule out the JV model as the TLA discussion paper rather superficially suggests.

- The TLA discussion paper is critical of the WRC JV approach as it relies on being able to purchase the assets of the rail system (or access rights to them) at a reasonable price. The paper goes on to say "even if the rail assets were obtained at a reasonable price, this would still substantially increase the risk assumed by the public sector, i.e. infrastructure and operational risk".

In the view of officers it is pointless second guessing whether or not the rail assets can be secured for a reasonable price. The only way to find out is to put it to the test. Having found out, the WRC will then have a decision to make, does it wish to purchase at that price (in conjunction with the preferred JV partner) or does it not?

In terms of the matter of risk, the views expressed in the TLA discussion paper offer a simplistic view of ownership and risk, and appear to take no account of the risks currently run by WRC as funder. In other words, there is minimal acknowledgement in the paper that nil ownership is not riskless. Currently WRC takes much of the risk in respect of capital. Ironically perhaps, officers see partial ownership as a means of helping to mitigate risk in the future, rather than simply being the funder of last resort with no control. As noted earlier, only a few months ago some Mayors/CEO's were strongly encouraging WRC to take 100% ownership of Tranz Metro (Wellington).

- The TLA discussion paper states that in terms of bargaining power, the WRC is likely to be in a weaker position when looking to sell its 50% share in future as the attractiveness of this parcel will be much lower than the 50% offered in partnership with the WRC on formation of the joint venture company.

Officers cannot understand the logic of this statement and, in any event, that situation, if it were to arise, is safe guarded under the JV documentation as the WRC, pursuant to the draft Funding Deed, will have the unilateral right at the end of each 10 year period to acquire the whole of the rail business from the rail operator either at an agreed price, or at fair value set by arbitration. What's more, the WRC can have the price set before making a final commitment.

- The TLA discussion paper makes much of the perceived conflict of interest between the WRC as funder and part owner of the joint venture company.

  This is not a new issue and has been clearly dealt with by the Office of the Auditor-General during September 2001. The Office of the Auditor-General concluded last September that *"in the Local Government sector we note that issues associated with the separation of funder and provider are not uncommon. We also note that Transfund will have a monitoring role".*

  In essence, the Office of the Auditor-General appeared to be saying that conflicts of interest are not uncommon and they just need to be managed appropriately.

  In this regard the Office of the Auditor-General's views are entirely consistent with Booz Allen and Hamilton who concluded *"on balance the joint funder/owner responsibilities of WRC is insufficient cause for ruling out the WRC JV proposal".*

  In terms of the impact of any perceived conflict of interest it is worth reflecting on the views of the Commerce Commission in the Commission's decision #460 in respect of NZ Bus Ltd's (Stagecoach) application to participate in the JV.

  In reaching its decision in relation to the application by NZ Bus Ltd to become WRC's JV partner the Commission noted:

  "para 103: However, industry parties still consider that bus and rail in Wellington are complementary, rather than substitutable. The main reason is that bus and rail serve passengers in a different manner - buses stop more frequently and serve localised areas, whereas rail is a lot quicker through the corridors during peak hours".

  "para 104: Bus is also hindered from competing with rail due to the policies of WRC. The RLTS prohibits buses being registered along train routes if the effect of the registration is merely to reduce the patronage of rail. The goal is to maximise the value of the rail network".

  "Para 105: From the evidence available, it would appear that public transport is distinct from private transport and within public transport bus is separate from rail. Therefore the Commission finds that for the purpose of assessing the competition implications of the proposed acquisition, it is appropriate to define separately the bus and rail service markets".

  In other words, it is clear in the RLTS that Rail has a special place and there is an acknowledgement that there is minimal competition between bus and rail. Therefore, it is difficult to see how any perceived conflict of interest would impact upon WRC decision making in future.

5. What is the Key Difference between the WRC's JV Approach and the Preferred Approach of the Mayors/CEO's?

Before reflecting on the key difference between the WRC's JV approach and the preferred approach of some Mayors/CEO's in the Region it is important to focus on what appears to be universally agreed.

All Mayors/CEO's and the WRC have agreed that:

- Rail is a vital element of the passenger transport services and into the future.
- Current arrangements with Tranz Rail are unsatisfactory.
- The private monopoly needs removing.
- Very significant capital investments are required to maintain and grow patronage.
- Central and Local Government cannot afford to let the passenger rail services fail.
- Railway stations should be co-operatively developed and owned by TLA's and WRC to integrate into local communities.
- We (the public sector) need long term track access plus a much better contract.

The key question, therefore, is not 'what' is trying to be achieved but 'how'. It is the 'how' where there is disagreement.

In the view of officers the contractual model has not served the public interest well in the past and substantial change would therefore be required for this to be seen as the preferred way forward.

It is a judgement call as to whether WRC's key objectives of control over track access and a better rail contract are best met by the WRC's JV approach (including some public ownership) or the contractual model supported by some of the Mayors/CEO's in the Region.

Remembering, of course, that a decision now to proceed with the JV option does not irrevocably commit Council to a purchase of Tranz Metro.

In the final analysis this is a decision for the Wellington Regional Council, as the responsible agency, to make.

6. Communications

The passenger rail issue is of significant public interest. The following communications are suggested:

Issue a media release following the meeting, indicating its decisions.

Send a copy of the media release and the decisions to interested parties, as was done following the October 5th decision.

7. Recommendations

That the Policy, Finance and Strategy Committee recommend that Council:

1. *Receives the report and notes its contents.*

2. *Notes the report prepared by the Mayors/CEO's of the Region's TLAs as detailed in **Attachment 3** and presented to Councillors at the Workshop of Regional Councillors and officers, TLA Mayors and officers on 14 May 2002.*

3. *Agrees to continue to pursue the public/private partnership (JV approach) with the objective of acquiring Tranz Metro (Wellington) as a going concern.*

4. *Notes that there are a number of steps to go through before the Council could finally commit to the joint venture and these include:*
   - *(i) selection of the preferred joint venture partner*
   - *(ii) approval of the non-binding Heads of Agreement*
   - *(iii) determination of a price for Tranz Metro (Wellington) acceptable to all parties*
   - *(iv) consultation with the public about the costs and benefits of the proposal.*
   - *(v) receipt of the necessary approval from the Government.*

5. *Notes that the Council's investment company, WRC Holdings Ltd, must also approve a number of the steps before the joint venture can proceed.*

6. *Requests officers to report back as soon as practicable on the selection process for Council's joint venture partner, together with a recommendation on who that partner should be.*

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Attachments

Attachment 1: Council Rail resolutions, 5 October 2001

Attachment 2: Introduction section to the Rail Joint Venture documentation
"Rail Services in the Wellington Region – A Public/Private Partnership"

Attachment 3: Written text tabled at the TLA rail presentation on 14 May 2002.
"Options for Wellington Rail: A discussion paper issued by the TLA's"