

Essential Note for Potential Purchasers of Tranz Metro Wellington (April 2003)

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Greater Wellington is the promotional
name of the Wellington Regional Council

This note is intended to make sure that parties who may be interested in acquiring the business operations of the entity known as Tranz Metro Wellington, are fully aware of the Council's position with regard to the subsidy for services currently enjoyed by the existing owners, Tranz Rail Limited.

Any prospective purchaser of Tranz Metro Wellington (the suburban passenger rail service of the Wellington Region) should not expect continuation of the current subsidy being provided to Tranz Rail Limited for the operation of rail passenger services in the Wellington Region, or if subsidies are paid in the future, that they will be at current levels or on similar terms. When undertaking due diligence, the prospective purchaser must assume that its only assured future income will be that derived from user fares. The Council will not pay subsidies which compensate future owner/operator/s for goodwill or excessive prices paid for Tranz Metro Wellington.

If Greater Wellington Regional Council wishes to purchase any urban passenger rail services in the future, the Council is required to use the Transfund approved Competitive Pricing Procedure (CPP). This requires the Council to call for statements of interest from prospective tenderers, the selection of a preferred tenderer and then a negotiation with that preferred tenderer. This could be a six-month process or longer. The maximum term for any new funding agreement is likely to be 10 years.

The Council has formally resolved that the contract, that will form part of the CPP process, will include the following key features:

- Requirement for the rail operator to be prepared to invest its own capital into the passenger rail business;
- Requirement for long-term asset management planning beyond the term of the ten-year contract;
- Requirement for tough sanctions in the event of failure to deliver agreed services;
- Requirement for the rate of return on the operator's equity to be capped;
- Requirement for vastly improved transparency and information disclosure.
- Requirement that track access arrangements for the services are granted direct to the Council for a period of 30 years.

Name of organisation receiving a copy of this note: _____

Name of person representing the above organisation: _____

Signature: _____

Date: _____

Name of person providing this note to the above organisation: _____

Signature: _____

Date: _____