

Report 03.247  
Date 7 May 2003  
File T/11/2/1

Committee Regional Land Transport  
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## Tranz Metro (Wellington) Issues

### 1. Purpose

To update the Committee on issues relating to Tranz Metro (Wellington) and the rail projects and policies of the RLTS.

### 2. Background

In October 2000 Tranz Rail Ltd announced its intention to sell its rail passenger services, including Tranz Metro (Wellington). Greater Wellington Regional Council established a Joint Venture arrangement with an operator, Stagecoach (Wellington), to purchase the Tranz Metro (Wellington) business. The Greater Wellington Transport Division was not a party to the Joint Venture arrangements.

After a considerable period of discussions with Tranz Rail Ltd negotiations stalled because Tranz Rail insisted the Joint Venture make an indicative bid prior to undertaking due diligence. This was not acceptable to the Joint Venture.

Throughout this period the Greater Wellington Transport Division had been endeavouring to gain Transfund New Zealand approval of a Competitive Pricing Procedure (CPP) for the purchase of urban rail services in the Wellington region.

The Division had been denied use of the current rail CPP by Transfund. Without an approved CPP the Division could only roll over the current rail contract with Tranz Rail Ltd. At the moment the contract is rolled over on a month by month basis.

The Council through the Transport Division has the objective of entering into a long term contract for urban rail services with a quality operator that is wishing to run those services over the long term.

### **3. Possible Sale of Tranz Metro (Wellington)**

The break down of talks between the JV and Tranz Rail Ltd has led to Tranz Rail Ltd, through Cameron & Co., seeking the sale of Tranz Metro (Wellington). The Transport Division was approached by Transdev, a potential purchaser of Tranz Metro (Wellington), to clarify the Council's position regarding future contract arrangements. At the time of writing the only news of any progress on the sale is that Serco and Transdev have registered their interest with Cameron and Co.

### **4. Approval of a CPP**

Transfund New Zealand's Board, at the 15 May meeting, approved a CPP for the purchase of Wellington urban rail services. The CPP requires the Transport Division to call requests for statements of interest and ability (RFSIA), undertake an evaluation of these statements and to seek commercial offers from those short listed by the evaluation. It is expected that this process will take at least six months. A call for interested parties to up lift the tender documents will be made shortly.

### **5. Rail America Takeover Offer for Tranz Rail**

Also on 15 May Rail America, a small American rail freight operator, announced that it intended to make a takeover offer for Tranz Rail. This offer is not necessarily going to be taken up by shareholders. However even if it is the situation will not change, the Council will continue with the approved CPP process.

### **6. RLTS Issues**

The RLTS contains a number of rail projects and policies (pages 55 to 62 of the RLTS). Where these projects have a capital component and are the responsibility of the operator to fund and implement they are effectively stalled. The reason for this is the fact that the current operator, Tranz Rail Ltd, is on a month by month contract roll over and is also trying to sell the business. Both circumstances mean the operator has no incentive to invest capital. Similarly the Greater Wellington Transport Division and the national transport funder Transfund New Zealand are reluctant to make capital investments but prefer monthly contract funding that supports the operators own investment. Neither party wishing to take the risk of their capital being lost through the sale process. Therefore the following projects in the RLTS are stalled:

- Build a new railway station at Raumati
- Extend the urban electronic rail service to Waikanae
- Refurbish Upper Hutt and Paraparaumu railway stations.

### **7. Communication**

There is nothing new to communicate.

**8. Recommendation**

*That the report be received and its contents noted.*

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