

**Report 01.84**  
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Report to the Policy and Finance Committee  
from Howard Stone, General Manager

## **Tranz Metro Acquisition Process**

### **1. Purpose**

To seek authorisation to proceed to the next stage of the acquisition process which is the identification of a suitable Joint Venture partner.

### **2. Background**

Negotiations with TranzRail Ltd. have reached a stage where further progress demands the kind of rail operational expertise expected to be available from the Council's prospective partner in the purchase of Tranz Metro (Wellington).

In addition, any prospective partner would now legitimately expect to be part of the negotiation process in order to manage the risk of their capital commitment.

### **3. Comment**

The selection of a Joint Venture partner requires a number of considerations involving the Council and other stakeholders. Such considerations include:

- A process which will offer assurance to the future funders of Tranz Metro that "the best deal" is obtained. Central Government, Transfund and the Council itself are key agencies in this regard.

- The establishment of a clear statement of outcomes and expectations of the Joint Venture so that
  - (a) The Council can manage its risks in participating.
  - (b) The Council's partner is fully cognizant of its role, governance participation and realistic commercial returns through joining with the Council in acquiring and operating the Tranz Metro services in the Wellington Region.

In order to reach this position it is necessary that the following documents be prepared:

- i) The advertising format and letters of invitation to interested parties and the selection criteria to be applied.
- ii) A draft Statement of Corporate Intent for the Joint Venture.
- iii) A draft Constitution for the Joint Venture Company.
- iv) A Joint Venture agreement which will govern the rights, obligations and options of both the Council and its prospective partner during the acquisition process – up to and including the signing of a sale and purchase agreement.

Clearly, there is a considerable amount of work to be undertaken in the process of selecting a Joint Venture partner. Most of the preparatory work can be completed by officers under an overall delegation to “proceed”. However, I believe it is essential that the Council “sign off” on the above documents noted under i) to iv) inclusive. They, in essence, will be the means by which the Council can measure and assess the risks and benefits of proceeding to the point of establishing a draft sale and purchase agreement in conjunction with its selected partner.

Therefore, each of these documents will be submitted to the Council for approval as the selection process proceeds.

#### **4. Recommendations**

*That the Committee:*

- (i) *Receives the Report*
- (ii) *Authorises officers to commence the selection process to establish the Council's future Joint Venture partner*

- (iii) *Notes that the selection process will include the need for the Council to approve the documents described in the report.*
- (iv) *Notes that officers may need to seek further authorisations from Council as the process unfolds.*

HOWARD STONE  
General Manager