

Report 13.701
Date 21 August 2013
File T/22/14/04

Committee Council
Author Mike Timmer, Treasurer

Issue of unpaid share capital to fund GWRL capital expenditure for 2013/14 year

1. Purpose

On 9 May 2013 Council approved an amount of \$170.2 million (Project Costs) and the issue of the equivalent amount of unpaid share capital, by both WRC Holdings Limited (WRCHL) and Greater Wellington Rail Limited (GWRL) to fund the supply of retrofit improvements to the Matangi 1 Units, the 35 additional improved Matangi 2 Units and related costs (**refer report RPE 13.188**).

In addition to the funding to cover the Project Costs, GWRL also requires funding to cover its budgeted 2013/14 capital expenditure of \$11.25 million.

This report seeks Council:

- Consent to the issue of unpaid share capital of \$11.25 million by WRCHL to Council
- Consent to WRCHL approving the issue of \$11.25 million unpaid share capital by GWRL to WRCHL
- Approval to execute an agreement for the issue shares making provision for the respective boards to make calls for payment of the shares as GWRL's 2013/14 budgeted capital expenditure becomes due for payment.

2. LGA decision making

Officers have considered the decision making requirements set out at part 6 of the Local Government Act 2002. Officers consider that the decisions that are the subject of this report are of routine nature and have a low degree of significance.

Officers note that the options for funding GWRL's capital expenditure were identified and assessed earlier this year in the course of approving the funding

for supply of the Matangi 1 retrofits and the improved Matangi 2 units (refer paragraph 6.4 report RPE 13.188).

3. Background

On 9 May 2013 Council approved an amount of \$170.2 million (Project Costs) and the issue of the equivalent amount of unpaid share capital, by both WRC HL and GWRL, to fund the supply of retrofit improvements to the Matangi 1 units and 35 additional improved Matangi 2 units (refer report RPE 13.188).

GWRL requires funds in addition to the Project Costs to fund \$11.25 million of budgeted capital expenditure for the 2013/14 year.

In the past Council has provided capital funds to GWRL by way of capital grant.

Officers have reviewed the options for funding GWRL and concluded that funding capital expenditure by the issue of share capital is preferable to grant funding (refer paragraph 6.4 report RPE 13.188).

It is proposed that the same process used to fund the Project Costs for the Matangi 1 retrofits and the improved Matangi 2 units, is also used to fund GWRL's additional budgeted 2013/14 capital expenditure.

4. Budgeted 2013/14 capital expenditure by GWRL

The additional budgeted 2013/14 capital expenditure in GWRL that requires funding is \$11.25 million made up as follows:

- Demolition of the old Wellington EMU depot, construction of a new wall and creation of additional overhead access, \$3.45 million
- Rail station assets infrastructure renewals, \$3.5 million
- Capital expenditure targeted at improving asset security and reducing insurance premiums, \$1.5 million
- Heavy maintenance of the carriage fleet, \$0.5 million
- Residual expenditure required for the Matangi 1 project, \$2.3 million.

Council will receive funding from NZTA (at the applicable FAR) to cover a share of the budgeted capital expenditure described above.

The proposed process for funding the additional budgeted capital expenditure has been reviewed and discussed with NZTA on the basis that it is consistent with the process approved by NZTA for funding the Project Costs.

5. Issue of unpaid shares

The issue of the unpaid shares required to fund GWRL's additional budgeted 2013/2014 year capital expenditure will occur as follows, and requires the following approvals:

- At this meeting Council as the sole shareholder and entitled person of WRCHL will be asked to approve the issue of unpaid ordinary \$1 shares by WRCHL equivalent to \$11.25 million being the additional amount required to fund GWRL's budgeted 2013/14 year capital expenditure. If approved, this will be formally confirmed at this meeting by Council approving and authorising the signing of an entitled persons agreement (**refer Attachment 1**)
- At this meeting Council will be asked to approve and authorise the signing of an agreement for the issue of shares to record the basis upon which the respective boards of WRCHL and GWRL make calls for the payment of the shares (**refer Attachment 2**)
- Subject to Council approval, WRCHL as sole shareholder and entitled person of GWRL will be asked to approve the issue of unpaid ordinary \$1 shares by GWRL equivalent to \$11.25 million. This conditional approval will be asked for at the WRCHL meeting on 15 August 2013
- Subject to Council approval, the Directors of WRCHL will be asked to approve the issue of unpaid shares to Council. This conditional approval will be asked for at the WRCHL meeting on 15 August 2013
- Subject to Council and WRCHL approval, the Directors of GWRL will be asked to approve the issue of the unpaid shares to WRCHL. This conditional approval will be asked for at the GWRL meeting on 15 August 2013.

6. **Communication**

No communications are intended in regard to the decisions that are the subject of this report.

7. **Recommendations**

That the Council:

1. ***Receives the report.***
2. ***Notes the content of the report.***

LGA decision making

3. ***Agrees that the matters for decision in the report have a low degree of significance.***
4. ***Having regard to both the significance of the matters for decision in this report and the matters in section 79(2) of the Local Government Act 2002:***
 - a. ***Agrees that the extent to which different options have been identified and assessed is appropriate***
 - b. ***Agrees that the degree to which benefits and costs have been quantified is appropriate***

- c. **Agrees** that the extent and detail of the information before the Council is appropriate.
5. **Agrees** that the Council has sufficient knowledge of the views and preferences of persons likely to be affected by, or have an interest in, the matters for decision in this report.

Background

6. **Notes** that the amount of \$11.25 million is required by GWRL to fund GWRL's budgeted 2013/14 year capital expenditure.
7. **Notes** that the budgeted 2013/14 year capital expenditure of \$11.25 million is in addition to the amount approved to cover the Project Costs for the acquisition of retrofit improvements to the Matangi One Units and 35 additional improved Matangi Two Units.
8. **Notes** that NZTA funding paid to Council (at the applicable FAR) will provide a share of the budgeted 2013/14 capital expenditure..
9. **Notes** that GWRL's budgeted 2013/14 capital expenditure will be funded by:
- The issue of 11.25 million unpaid ordinary \$1 shares by GWRL to WRCHL, and
 - The issue of 11.25 million unpaid ordinary \$1 shares by WRCHL to Council.

Approval of issue of unpaid shares

10. **Approves** the issue of 11.25 million unpaid ordinary \$1 shares in WRCHL to Council.
11. **Approves** the issue of 11.25 million unpaid ordinary \$1 shares in GWRL to WRCHL.
12. **Authorises** Chair Wilde and Councillor Glensor to sign the required Entitled Persons Agreement approving the issue of shares on behalf of Council.
13. **Authorises** Chair Wilde to sign the agreement for the issue of shares approving the basis upon which the respective WRCHL and GWRL boards may make calls for payment of the shares.
14. **Requests** that the Chair Wilde confirms the consent and approvals referred to in this report, in writing to WRCHL.

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Wayne Hastie
General Manager, Public
Transport

Attachment 1: WRCHL – Entitled Person Agreement

Attachment 2: Agreement for the issue of shares recording basis for calls on the shares