

File No. T/2/11/4
gummer29may_djw

29 May 2002

Mr M Gummer
Chief Executive
Transfund New Zealand
P O Box 2331
WELLINGTON

Dear Martin

Wellington Urban Rail Contract Roll Over

On behalf of the Council's General Manager I write in response to your letter dated 21 May 2002 that advises the Council of the Transfund Board's resolutions regarding a further roll over of the Wellington urban rail contract and passenger rail CPP issues.

I have some concerns regarding the conditions attached to the roll over approval. My major concern relates to condition (ii). It apparently requires me to proceed to use a CPP, that is yet to be approved, having regard to any conditions that the Board may set. I cannot give my unconditional agreement to action this. If my alternative CPP proposal is approved without amendment then I would accept this condition; if not I will need to examine the purpose and appropriateness of the Board's requirements before I can come to a decision.

Condition (i) asks me to expedite the seeking of approval for a new CPP. As this is a Board resolution I must assume that Board members were not advised that I have been discussing a new CPP with Transfund officials since December 1999. I have submitted several alternative CPPs since then the latest of which being one submitted on 3 May 2002 after a number of high level officer meetings involving both organisations. This condition is gratuitous and I invite you to explain the history to your Board so they might give it further consideration.

Condition (iii) poses no issues. Tranz Rail have always fulfilled the disclosure requirements of their current contract albeit that such disclosure is limited.

I am therefore unable to satisfy condition (iv) which is the acceptance of conditions (i) to (iii) of the roll over approval. I understand that this implies that I would be acting illegally if after 1 July 2002 I was to make any payment, from any source, to Tranz Rail Limited for the Wellington urban rail services.

So that this untenable situation does not arise, I request Transfund to agree a contract roll over involving two stages. First a roll over period up to the approval of a new CPP and the

considered acceptance by my Council of any explicit conditions attached to it followed by a second roll over period of less than six months to allow the implementation of that CPP.

In conclusion, I would like to stress that my objections to the conditions specified in your letter are not designed to frustrate a successful outcome to this protracted issue. I thereby seek your recognition of the difficulty my Council would have in blindly agreeing to make undertakings without reasonable knowledge of the commitments involved.

Yours sincerely

DAVE WATSON
Divisional Manager, Transport