

Report 14.391
Date 29 July 2014
File T/22/14/04

Committee Council
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Issue of unpaid share capital to fund GWRL capital expenditure for 2014/15 year

1. Purpose

This report seeks Council approval to:

- the issue of 6.7 million unpaid \$1 shares by WRCHL to Council
- WRCHL approving the issue of 6.7 million unpaid \$1 shares by GWRL to WRCHL
- execute an agreement for the issue of shares which makes provision for the respective boards to make calls for payment of the shares as GWRL's 2014/15 Budget capital expenditure becomes due for payment.

2. Background

On 26 June WRCHL approved the SOI for the WRC Holdings Group for the three years ended June 2017. The SOI includes budgeted capital expenditure which is 100% funded by share capital.

The 2014/15 budgeted capital expenditure of GWRL is \$47.4 million, which is divided into:

- the purchase of the Matangi 2 and upgrade of the Matangi 1 trains and
- rail infrastructure renewals and heavy maintenance of rail rolling stock.

On 9 May 2013, Council approved an amount of \$170.2 million (Matangi Project Costs) and the issue of the equivalent amount of unpaid share capital by both WRCHL and 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). Of this, \$40.7 million is forecast to be utilised during the 2014/15 year.

GWRL also requires share capital of \$6.7 million in 2014/15, to fund other budgeted rail infrastructure and rail rolling stock capital expenditure.

3. **Budgeted 2014/15 capital expenditure by GWRL**

The \$6.7 million capital expenditure budgeted for 2014/15 in GWRL that requires funding is made up as follows:

- Wellington depot completion \$0.3 million
- new and renewed rail station and depot infrastructure \$3.5 million
- capital expenditure targeted at improving asset security and reducing insurance premiums, \$1.5 million
- heavy maintenance of the carriage fleet, \$0.7 million
- residual expenditure for the Matangi 1 project, \$0.7 million

4. **Issue of unpaid shares**

The issue of the unpaid shares required to fund GWRL's additional budgeted 2014/2015 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 \$6.7 million being the additional amount required to fund GWRL's budgeted 2014/15 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 \$6.7 million. This conditional approval will be asked for at the WRCHL meeting on 14 August 2014
- 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 14 August 2014
- 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 14 August 2014.

5. **Communication**

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

6. **The decision-making process and significance**

Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

6.1 **Significance of the decision**

Part 6 requires Greater Wellington Regional Council to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

7. **Recommendations**

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Notes that the amount of \$6.7 million is required by GWRL to fund GWRL's budgeted 2014/15 year capital expenditure.*
4. *Notes that the budgeted 2014/15 year capital expenditure of \$6.7 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.*
5. *Notes that GWRL's budgeted 2014/15 capital expenditure will be funded by:*
 - *The issue of 6.7 million unpaid ordinary \$1 shares by GWRL to WRCHL, and*
 - *The issue of 6.7 million unpaid ordinary \$1 shares by WRCHL to Council.*
6. *Approves the issue of 6.7 million unpaid ordinary \$1 shares in WRCHL to Council.*

7. **Approves** the issue of 6.7 million unpaid ordinary \$1 shares in GWRL to WRCHL.
8. **Authorises** the Council Chair and Deputy Chair to sign the required Entitled Persons Agreement approving the issue of shares on behalf of Council.
9. **Authorises** the Council Chair 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.
10. **Requests** that the Council Chair confirms the consent and approvals referred to in this report, in writing to WRCHL.

Report prepared by:

Report approved by:

Mike Timmer
Treasurer/Acting CFO

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