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21 May 2002

Ref AF 89 02 04

Howard Stone
General Manager
Wellington Regional Council
PO Box 11-646
WELLINGTON

Dear Howard

Passenger Rail CPP Issues

Further to our telephone conversation following the Transfund Board meeting, the following is the full text of the Board's decision on the contract roll-over which was requested in Dr Watson's letter of 3 May 2002:

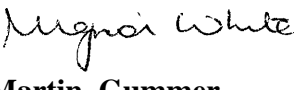
That the Transfund New Zealand Board:

- (a) **approves** the use of the existing sole supplier Competitive Pricing Procedure to extend the contract between the Wellington Regional Council and TranzRail for the provision of passenger rail services in the Wellington Region for a period of less than 6 months from 1 July 2002, subject to the Wellington Regional Council.
 - (i) agreeing to expedite the seeking of approval for a new CPP to enable the retendering of services and, on receipt of that;
 - (ii) proceeding to tendering and award of contracts with due diligence, having regard to any conditions that the Board may set in approving the CPP;
 - (iii) agreeing to enforce the conditions of disclosure required by the current contract prior to the expiry of this extension;
 - (iv) confirming its acceptance of the above conditions before the Board's next meeting in June;
- (b) **requests** the Wellington Regional Council to resolve an adjustment to the contract to incorporate the "kick start" projects that have been put in place,
- (c) **requires** the Wellington Regional Council to report monthly to Transfund's Chief Executive on progress to implement the conditions attached to (a) and (b) above,

- (d) *requests the Chief Executive to report to the Board in June on the Wellington Regional Council's proposal for a new Competitive Pricing Procedure for the provision of passenger rail services in the Wellington Region, taking into account the Board's comments arising from discussion on submission TF 02/5/1020;*
- (e) *requests the Chief Executive to advise the Wellington Regional Council of the Board's decision; and*
- (f) *agrees to release the Board's decision to extend the existing contract between the Wellington Regional Council and TranzRail from "in committee" but retain "in committee" any material relating to the tendering of future services until such time as the Board has approved a CPP to replace the existing sole supplier CPP.*

Please do not hesitate to contact me if you wish to discuss the conditions the Board has placed on its approval.

Yours sincerely

PP 

Martin Gummer
Chief Executive