

## Kath McIndoe

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**From:** Chris Mackenzie [Chris.Mackenzie@parliament.govt.nz]  
**Sent:** Tuesday, 8 April 2008 5:57 p.m.  
**To:** brian.roche@nz.pwc.com; Pat Bowler; William Peet; Thomas Davis; Murdo Beattie; bruce.wattie@nz.pwc.com; Jason Nichols  
**Subject:** Fw: Attached image data.  
**Attachments:** 67057.pdf



67057.pdf (178 KB)

Copy of Document signed short time ago.

Regards

Chris

(Chris Mackenzie  
Senior Advisor  
Deputy Prime Minister's Office  
(04) 471 9935 or (021) 799 499)

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(See attached file: 67057.pdf)

**COMMERCIAL  
SECRET**

TO: Chris Mackenzie  
FROM: Minister of Finance  
DATE: 8 April 2008

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**1. Negotiations with Toll**

Following your briefing on the latest discussions with Toll, I understand that the negotiations are encountering some difficulties around the mechanics of the separation of the rail business (RailCo) from TTL. In particular, Toll appears concerned that the Crown as owner wishes to own trucks and enter the LCL, freight forwarding or logistics businesses.

This memorandum sets out my views on these issues. I would like you to ensure that these views are circulated to the wider Crown negotiating team so that there is no misunderstanding. You can also show this memorandum to the Toll negotiators if you think that would be helpful.

**2. Government's Objectives**

The Government's objective in acquiring RailCo is to enhance the efficiency and effectiveness of the rail network (including inter-island ferries) and ensure it plays its full part in the future of New Zealand's transport infrastructure.

That requires the Government to have a full set of strategic options for the future. The strategy will be developed by the RailCo Board and, after discussion with the Government, will be incorporated in the SCI. The Government's objectives, incorporated in that SCI, will be determined by its transport and economic goals, and the interests of end customers.

There is no intention for RailCo to own trucks or enter the LCL or logistics businesses, and so I would expect them to enter arrangements with transport suppliers and end customers for FCL traffic.

However, in order to preserve the value of the Crown's potential investment in RailCo, I am not prepared to make any contractual or other undertaking to any third parties (including Toll) that constrain the future strategic or business model choices available to RailCo, other than during the transitional period, as discussed below.

**3. Negotiations**

From my perspective therefore, the arrangements with Toll need to cover:

- The assets / customers that go with each of RailCo and TTL. As part of this separation I would have no difficulty with transitional arrangements that protect the customer allocations in the separation agreement for a year or two.
- How the parties will work together over the transitional period.