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**From:** John Wilson  
**Sent:** Monday, 30 July 2007 2:41 p.m.  
**To:** Robert Barton; Stephanie Ward  
**Subject:** FW: Ltr-MinFinance-Toll-CrownNegotiations-270707 (2)  
**Attachments:** Ltr-MinFinance-Toll-CrownNegotiations-270707 (2).doc

[The Ontrack draft letter to the MoF.](#)

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**From:** William Peet [mailto:[William.Peet@ontrack.govt.nz](mailto:William.Peet@ontrack.govt.nz)]  
**Sent:** Monday, 30 July 2007 2:30 p.m.  
**To:** John Wilson  
**Subject:** FW: Ltr-MinFinance-Toll-CrownNegotiations-270707 (2)

Regards,

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**William Peet**  
**Acting Chief Executive**  
ONTRACK - New Zealand Railways Corporation  
ONTRACK Infrastructure Limited  
4th Floor, Wellington Railway Station  
PO Box 593, Wellington, NZ  
Ph: [withheld under section 9(2)(a)]  
Email: [william.peet@ontrack.govt.nz](mailto:william.peet@ontrack.govt.nz)

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**From:** William Peet  
**Sent:** Monday, 30 July 2007 2:17 p.m.  
**To:** Kath McIndoe  
**Subject:** Ltr-MinFinance-Toll-CrownNegotiations-270707 (2)

letterhead

27 July 2007

Dr Michael Cullen  
Minister of Finance  
Parliament  
Parliament Buildings  
Bowen Street  
**WELLINGTON**

Dear Minister

### **THE FUTURE OF RAIL & TOLL-CROWN NEGOTIATIONS**

Since our conversation at New Lynn on 13 July, my Board and I have been reflecting on the best way forward for the rail industry. As a result, we've developed some ideas that we would like to put to you.

It's now widely accepted that rail has strong credentials to expand its role in freight and urban transportation. These credentials are based on the growth of freight and urban passenger volumes, the acceptance of rail's environmental advantages over road, and the existence of an under-utilised rail corridor capable of development more easily than the roading network. We expanded on these themes in the network plan document we submitted late last year, *A Convenient Solution*.

We are conscious that addressing these issues has been subsumed in the on-going negotiations between the Crown and Toll over the relationship that will exist in future between the two parties and as a result, any changes to the structure of the rail industry. From what we know of progress so far, we are concerned that the options being considered will not provide a lasting basis for rail's potential to be realised.

In our view, they risk perpetuating a contracting and investment climate for rail at a high cost – without the Crown having the freedom to make key decisions or having any assurance outcomes will be delivered. We consider that Toll's ownership of road and rail assets continues to compromise the opportunity for a satisfactory and sustainable agreement between it and the Crown.

Toll Holding's decision to buy-out the minority shareholders in Toll NZ provides an opportunity to step back and look at the situation through fresh eyes. As a result of our work, we've developed a couple of options we believe would enable the Crown to put in place a regime that would be both sustainable and have the potential to unlock rail's potential. These options don't lend themselves to description in a letter of this nature but we would greatly appreciate the opportunity to talk you through them – and cover any other matters that you wanted to raise.

Last year, the Board presented you with some of our ideas on network investment options and were grateful for your feedback. We would like to have this opportunity again and I will ask William Peet (Acting Chief Executive) to contact Chris Mackenzie to arrange the details.

Yours sincerely

**Cam Moore**  
Chairman