

**Treasury Report: National Rail: Response to Michael Beard**

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<b>Date:</b>	21 March 2003	<b>Treasury Priority:</b>	<b>High</b>
<b>Security Level:</b>	Commercial Sensitive	<b>Report No:</b>	T2003/414

**Action Sought**

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	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance	Sign the attached letter to Michael Beard should you agree.	ASAP

**Contact for Telephone Discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>

**Enclosure: Yes**

21 March 2003

SH-8-4

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1. Michael Beard, managing director of Tranz Rail, has written to you suggesting that the Government more formally engage in substantive discussions with Tranz Rail on the company's role in New Zealand's land transport industry.
2. We have drafted a response to Mr Beard, attached for your signature, proposing that without prejudice discussions are continued at a high level rather than the more formal level that he suggests.
3. This is in keeping with the decisions of the Ad-Hoc Ministerial Group on Rail Policy on Tuesday 18 March.
5. We propose to meet with Tranz Rail in the next week or so and will report back to you so that you and your colleagues are able to consider the direction of any future discussions.

**Recommendation**

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It is recommended that you **sign** the attached letter to Michael Beard, of Tranz Rail.

for Secretary to the Treasury

**Hon Dr Michael Cullen**  
Minister of Finance

Michael Beard  
Managing Director  
Tranz Rail Limited  
Private Bag 92 138  
AUCKLAND

Dear Michael

Thank you for your letter of 7 March 2003 outlining your view that the Crown and Tranz Rail should engage more fully on the company's role in New Zealand's land transport industry.

I am keen for Tranz Rail and the Government to work together in meeting our land transport strategy objectives. Ministers have discussed these issues on several occasions but have yet to make a final decision on the best way to achieve those objectives.

In order to assist us to make a decision, I agree it would be helpful to progress discussions but I think there are a few bridges to cross before we are ready to engage at a formal level.

The Crown is committed to a sensible and prudent outcome. While we understand that Tranz Rail faces a number of financial challenges at present, our interest is not specifically to address those but simply to ensure that rail plays its full part in the economy.

We both share the mutual goal of a strong rail system and have an interest in talking further. To this end, I would like my officials to be able to work with your people, establish what is broadly feasible and report back to me. If Ministers are comfortable with the direction of the discussions, more detailed and substantive discussions could then be pursued.

I understand the financial pressures you face with respect to certain lines and as stated previously would invite you to consult with me well before Tranz Rail takes any further action in this area. Ministers have an open mind as to how we may be able to address such pressures.

I trust this letter provides some clarity around the process from here. I will ask my officials to make contact with your management so the next steps can be taken.

Yours sincerely

Hon Dr Michael Cullen  
Minister of Finance