

## **Proposal for negotiation into Heads of Agreement (as discussed 6/5/03):**

### **Commercial sensitive.**

- Crown would recapitalise company. Amount of capital to be subscribed, and price per share, would be determined on basis of assessment of company's current financial state, and financial projections. Recapitalisation would be such as to give the Crown majority shareholding in the company and majority control of the board.
- There would be a "kiwi share" Arrangement for the rail operating company.
- The Crown would take over the rail network and associated assets, thus terminating the existing lease. There would be no payment for the network. There would be a payment to Tranz Rail reflecting the value of real estate rights returned to the Crown.
- A crown entity would control the network. Tranz Rail would retain its existing rights for freight access. There would be provision for the existing non-Tranz rail operators, for new operators where Tranz rail fails to meet agreed service standards and levels, and for long distance passenger operators where there is no existing passenger service.
- Network access charges would be established so as to recover as much as possible of network costs, while enabling Tranz Rail to return to long-term viability.
- The Crown would refurbish the network, on a basis agreed with Tranz Rail and as part of an investment programme involving both network improvement and new locomotives and rolling stock. Recovery of the costs of network refurbishment would be limited to what Tranz Rail could sustain to be commercially viable.