

Talking Points
Meeting with Minister of Finance on Rail
28 August, 2002

NOTE THIS IS NOT A RECORD OF THE MEETING AND NOT ALL OF IT WAS USED.

Variations of Ownership options

- We are further developing our assessment of the various option 6 sub options and will report in due course.
- Our current thinking is that the 3rd party approach has advantages over the takeover approach in the expected fiscal savings and that it avoids the risk of holding. Against that there is less control for the crown and no certainty that the end state is a significant improvement over the current situation with Tranz Rail.
- To deal with this later point, before going down either path there is some attraction in approaching the company to see if it is interested in negotiating the sale of infrastructure under the sorts of terms acceptable to Ministers.
- The prospect of negotiating with a third party has sharpened our focus on the detail of what Ministers want to achieve as this will need to be conveyed in negotiations.
- Our analysis of option 6 sub options will include analysis of owning a rail operator because:
 - this would be a potential outcome of the takeover approach and
 - of the ownership options, this may be best able to meet the Ministers objectives.

SE/RA Proposal

- SE has provided a proposal involving RA that is but one model for the 3rd party approach.
- Without speaking to RA directly we are unable to conclusively determine the proposal's merits or its authority in terms of being an accurate representation of RA's position. However on the face of it the proposal does appear to warrant further exploration if that is the route Ministers want to go down.
- SE should be told that they are not representing the Crown in their discussions with RA. At some stage SE would need to step down and convey to RA that if they want to pursue some arrangement they should contact the Crown directly.
- In this context, it would be inappropriate for the Crown (outside SE) to approach RA. This is not just from a negotiating perspective but also in terms of avoiding the perception of a "sweetheart deal".

- It would also be inappropriate for any representatives of the Crown to approach any other party. The approach must come from the potential 3rd parties.
- At this stage we would need to keep options open both in terms of being receptive to other parties approaching Crown as well as to alternative options to meet Ministers' objectives.