

ion- worked for Dunlop Oil and UK have been restricted to stone and Continental. to foreign bidders.
and Marine, part of Germany's the period from June 20 2003.

FT May 6, 2008

New Zealand's experiment in rail privatisation comes to a halt

TRAVEL & LEISURE

By Peter Smith in Sydney

The New Zealand government has bought back the country's main rail and ferry operating business from Australia's Toll Holdings for NZ\$665m (US\$522m) after the two sides failed to settle a long-running funding dispute on upgrading the rail network.

The deal puts an end to an experiment in rail privatisation begun in 1993 with the sale of the network to US railway company Wisconsin Central and a consortium of New Zealand investors for NZ\$320m.

Michael Cullen, the Labour finance minister, said the privatisation "and the running down of the asset has been a painful lesson for New Zealand".

Paul Little, Toll's managing director, said the group had not planned on selling its rail operating business

back to the government. But he said proceeds from the sale would help it pursue acquisitions in Asia. Toll shares rose 35 cents to A\$8.38.

Although the sale fits with Toll's "asset light" strategy and will result in a book profit, the renationalisation of the rail and ferry businesses comes ahead of a national election due by mid November. The decision to take back the rail operating business is expected to win public support.

It comes less than a month after an attempt by the Canada Pension Plan investment board to buy a large stake in Auckland's airport was blocked by the New Zealand government.

Last week, however, the government indicated it was unlikely to block the NZ\$785m sale of the Wellington power grid network to Hong Kong's Cheung Kong Infrastructure Holdings.

The government's repurchase of the rail assets completes New Zealand's second

large-scale renationalisation in recent years.

This signifies a sharp reversal of the mass privatisation policies for which it became internationally known in the 1980s and early 1990s.

In late 2001, it agreed to bail out Air New Zealand, the national carrier, to prevent it from going bankrupt, injecting NZ\$885m in return for an 83 per cent stake.

Rail privatisation was never popular in New Zealand and Tranz Rail, the company set up to run the system, ran into financial and political difficulty after its owners stripped it of capital and under-invested in the railway system.

Toll bought a majority stake in Tranz Rail in 2003. It sold the track network back to the government in 2004 for a nominal sum of NZ\$1, but continued to operate train services.



Toll bought a majority stake in Tranz Rail in 2003

Bloomberg

See Lex