

STAFF REPORT

TO: Mayor and Councillors
FROM: Corporate Services Manager
DATE: 30 May 2009
SUBJECT: **Holding Company**

Introduction

This report is prepared to enable Tasman District Council (TDC) to consider introducing a holding company for selected assets of Council from 1 July 2009.

Background

Council as part of its Draft Ten Year Plan 2009-2019 has consulted with ratepayers of the District on the proposed introduction of a holding company. In addition Council staff have met with the respective Chairs of those companies that are proposed to be incorporated within the holding company structure.

Discussion

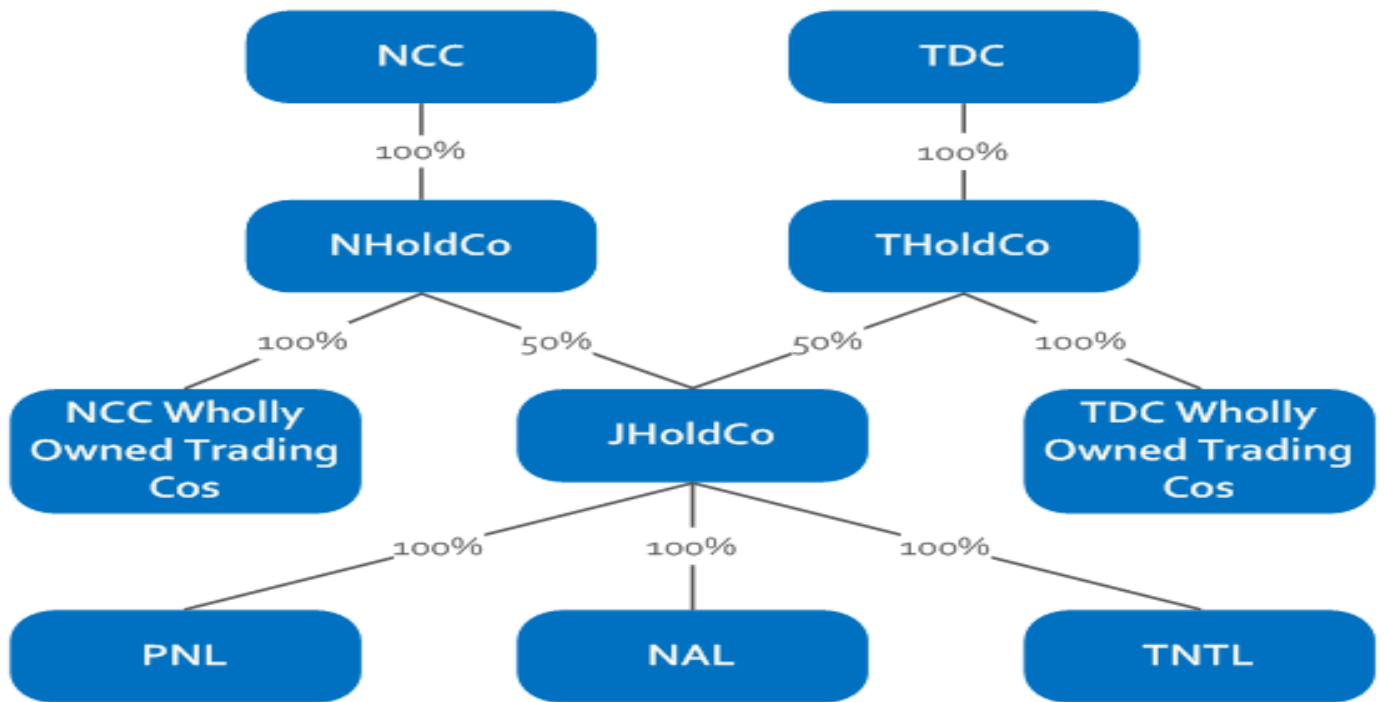
It is proposed to introduce two holding companies to hold Council's share of the assets of Port Nelson Ltd (PNL), Nelson Airport Ltd (NAL) and Tourism Nelson Tasman Ltd (TNTL).

This proposed structure has two options depending on whether Nelson City Council (NCC) also agrees to a holding company structure.

Alternative 1 (Tasman District Council and Nelson City Council)

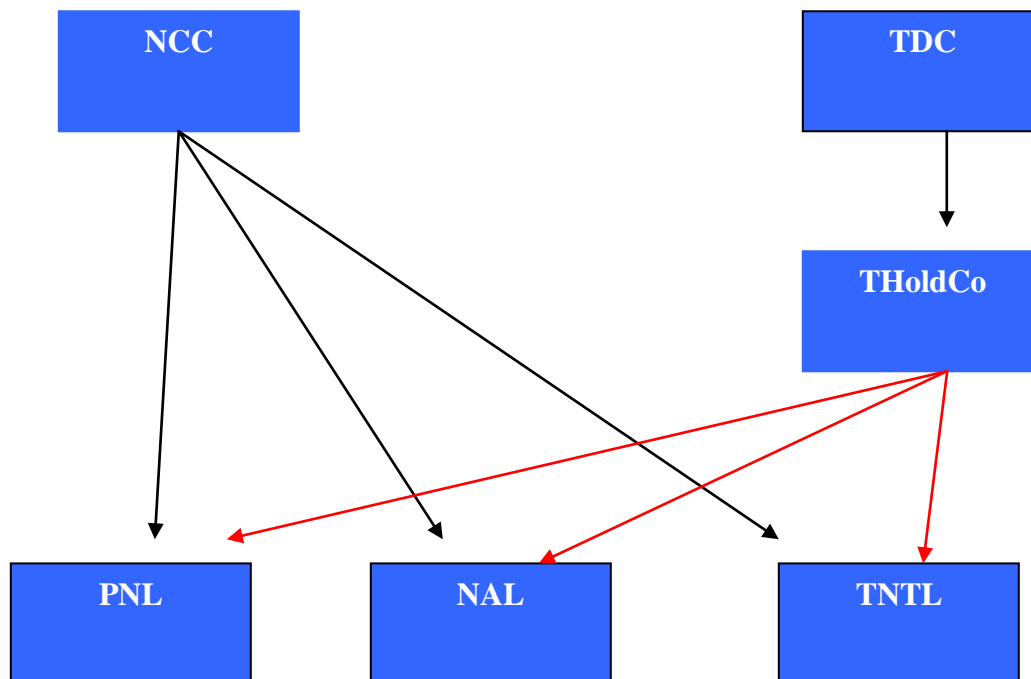
This is a two-tiered approach involving a joint holding company with NCC. This structure would involve both Councils' current half share of the assets in PNL, NAL and TNTL being transferred to a joint holding company (JHoldCo) with each Council's respective shares in those entities being held by an additional Council wholly-owned holding company (NHoldCo and THoldCo) . The two-tiered approach means that in the future if any wholly-owned Council assets were considered to be better managed via a holding company then the mechanism would already be in place.

It is important to note that the joint holding company would only be for joint NCC and TDC assets. This option provides enhanced governance benefits over the one-tiered approach and is the favored option by staff.



Alternative 2 (Tasman District Council only)

A one-tiered approach could be considered should NCC not wish to be involved. This would involve only one holding company (THoldCo) which would hold Council’s share of the assets of PNL, NAL and TNTL. While this alternative provides less governance benefits than Alternative 1, improved governance will still occur and there will still be economic benefits.



Council, in considering a holding company structure, needs to be mindful of the submissions that were received on the proposal as part of its 2009-2019 LTCCP consultation. The consultation process drew 12 submissions in regard to the holding company proposal of which 7 were in favour, 1 against and 4 unsure of the benefits that could be obtained.

At the time of writing of this report Council staff are not aware of any NCC decision in regard to the holding company structure.

Effect on General Rate

The introduction of a holding company structure reduces Council's general rate requirement from the 2010/2011 year onwards.

Significance

In accordance with Council's policy on significance, investments in PNL and NAL are considered strategic and require consultation via the special consultative procedure before any final decision is made. The inclusion of this proposal in the Draft Ten Year Plan 2009/2019 means Council has complied with its own significance policy.

Options

Option 1

Status Quo, which would mean rejecting the holding company scenario. This would result in the proposed improvement in governance and economic efficiencies being lost

Option 2

Introduce a joint holding company in conjunction with NCC and should NCC not approve a holding company structure introduce a TDC holding company only. This will ensure that Council will receive improved governance and economic efficiencies.

Recommendation

That :

Tasman District Council introduces a single holding company and a joint holding company with Nelson City Council to hold Council's share of Port Nelson Ltd, Nelson Airport Ltd and Tourism Nelson Tasman Ltd assets.

If Nelson City Council should not approve a joint holding company Tasman District Council introduces a single holding company to hold Council's share of Port Nelson Ltd, Nelson Airport Ltd and Tourism Nelson Tasman Ltd assets.

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