

#### **4. FAIR RATE OF RETURN**

RR 10140

The Subcommittee was advised of the decision by Transwaste Canterbury Ltd and of action being taken to fix a value for the Fair Rate of Return for its Shareholders and also for Canterbury Waste Services Ltd contract. As stated in the Memorandum of Understanding between Transwaste Canterbury Ltd, the main company operating objective is to operate as a successful business and achieve a Fair Rate of Return. In addition, Canterbury Waste Services Ltd, contracted to Transwaste Canterbury Ltd to find the new landfill site, construct and operate the new landfill and provide waste haulage services, is also required to achieve (no more than) a Fair Rate of Return.

A meeting of the Board of Transwaste Canterbury Ltd on Friday 11 June 1999 agreed to appoint Mr Bruce Irvine as assessor for the purpose of investigating and fixing the Fair Rate of Return. Canterbury Waste Services Ltd has appointed Mr Peter Taylor of Ernst and Young.

It will be appreciated that the value placed on the Fair Rate of Return is all important in terms of striking a balance between achieving reasonable return on investment and keeping refuse disposal charges for shareholders and citizens down to a fair level. Because of this the Canterbury Waste Subcommittee also intends to appoint an assessor. The appointee will report to the Subcommittee before entering into negotiations with Transwaste Canterbury Ltd for the purpose of investigating and fixing the Fair Rate of Return.