

Our Ref: REP21

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15 May 2013

Mayor Barbara Arnott
Napier City Council
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Hawke's Bay Mail Centre
NAPIER 4142

Mayor Lawrence Yule
Hastings District Council
Private Bag 9002
HASTINGS 4156

Dear Barbara and Lawrence

Thank you for your letter dated 3 May and the subsequent discussion on 7 May.

It was both helpful and constructive as was the discussion between myself, Lawrence, Andy Pearce and Jim Scotland on 9 May. I note here the total agreement at our meeting on 7 May that there is plenty of time to address issues as outlined in your letter.

With regard to the conflict discussion, I note that although there is clear interest of HBRC, we do not believe that there is a conflict of interest at present. Nonetheless, we will continue to take professional advice on the ability for Council to make decisions in this process and the subsequent affects (if any) of both interest and perceived conflicts of interest to all Councillors. The existence of your letter, and it's communication to the media, have both created and provided evidence of some perceptions of conflict of interest. I have also instructed our Auditors to give us a view on processes to date and the issue of all interests going forward.

On the question of our CE involvement, I need to reiterate he has been explicitly tasked with implementing the strategy of Council in relation to water storage in the Ruataniwha basin. This is to bring the best possible proposition (through HBRIC Ltd) back to our Council table so we can consider whether or not to proceed. Furthermore, through HBRIC Ltd the CE has been tasked with building a nationally recognised team to deliver this task and I am confident that this process is meeting those expectations. It is not the CE role to provide independent advice at the end of the project. Council will seek a review from a suitably qualified source to provide such opinion, assuming there is a decision required from Council to proceed.

As we approach the crucial final phase of decision for Council (probably early next year) we will take further advice on all issues including the need for external independent review covering the risk to ratepayer funds and, of course, the project risks shared between Council and external investors.

Yours sincerely



FENTON WILSON
CHAIRMAN

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CC: DR ANDY PEARCE
HON. CHRIS TREMAIN
HON. CRAIG FOSS

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