

# SOUTH WAIRARAPA DISTRICT COUNCIL

19 SEPTEMBER 2018

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## AGENDA ITEM C8

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### SALE OF AIRTEL SHARES

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#### **Purpose of Report**

To inform Councillors of the proposed sale of shares in Airtel Limited and to recommend that SWDC accept the offer.

#### **Recommendations**

Officers recommend that the Council:

1. *Receive the Sale of Airtel Shares Report.*
2. *Agree to sell the shares owned by SWDC at the agreed price.*

#### **1. Executive Summary**

South Wairarapa District Council owns 4900 shares in Airtel Limited, a company which provides telemetry services to enable SWDC to monitor the Woodside water treatment plant in Greytown.

SWDC paid \$5,000 for the shares and as at 30 June 2018, they are valued at \$7,203.

Airtel contacted all shareholders in late August consider to be acceptable and they are recommending to shareholders that they accept an offer from Teletronics Limited to purchase the shares in the company.

Officers recommend Council accept the offer to sell the shares.

#### **2. Background**

In 2001, South Wairarapa District Council purchased 4900 shares in Airtel Limited, a company which provides transmission services for telemetry to enable SWDC to monitor the Woodside water treatment plant in Greytown.

At the time of purchase, it was a requirement to be a shareholder of the company to have access to their services. Numerous other companies and organisations in the Wairarapa are also shareholders, including Masterton District Council and Carterton District Council. There are a total of 198,400 shares so SWDC is a minor shareholder.

SWDC paid \$5,000 for the shares and as at 30 June 2018, they are valued at \$7,203.

Airtel contacted all shareholders in late August 2018 indicating that a resolution at their Annual General Meeting had given the Directors the authority to negotiate a sale of the business, subject to achieving a value of no less than Shareholders Funds. Subsequent to the AGM, Teletronics Limited has made an offer which the Directors consider to be acceptable and they are recommending to shareholders that they accept the offer.

SWDC's investment policy requires a Council resolution to sell these shares as they are equity investments.

Airtel require 75% of shareholders to vote for the sale for it to proceed.

Below is an excerpt from the letter from Airtel recommending the sale of share go ahead:

"It is considered that Teletronics would be the best purchase for the business as they could carry a seamless operation providing a service to all Users. The benefits they have put forward are that they would provide a single point of contact for Sales and Service, issues would be addressed quickly and options provided and would guarantee services with no dramatic increase in fees and intend to grow the business and look after Users in the spirit for which the User Group was originally formed."

### **3. Discussion**

Officer investigations indicate that the company proposing to buy the shares is bigger than Airtel Limited so would provide better depth of knowledge which would be better for all users long term as indicated by the Airtel Directors.

We gather that Airtel is reliant on one key individual and the directors have no appetite to continue running the business. The value SWDC recognise on our books as an investment in Airtel shares was at risk of declining if the business was not run by someone with the technical expertise required.

The book value of the company is really the only indication of what the sale price could or should be. The directors indicate that the transmitter sites they own or control are in demand from other telecoms providers and an increasing amount of their revenue is generated from lease of space at those sites. They had invested recently in digital technology as well as retaining the core analogue technologies, so the value for sale now was unlikely to improve.

## **4. Conclusion**

Officers therefore recommending to Council that that they vote in favour of the sale offer as it will realise an investment asset on our books for slightly better than book value, the asset has no strategic value and we had no control of, or expertise to influence the company's value.

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