

Prime Minister
Deputy Prime Minister
Associate Minister of Finance (Hon Trevor Mallard)

AIR NEW ZEALAND EQUITY INJECTION – QUANTUM AND PRICING - TIMING

Proposal

1. This paper notes changes to the timeline for agreeing price and quantum of the Crown's new equity for Air New Zealand.
2. It also seeks the Prime Minister's agreement to the negotiating mandate set out in the paper provided on Thursday, 15 November entitled "Air New Zealand Equity Injection – Quantum and Pricing".

Background

3. On Thursday 15 November, a paper entitled "Air New Zealand Equity Injection – Quantum and Pricing" was circulated to you in order to get a negotiating mandate for negotiating the price for the Crown's shares with the Air NZ Board on Friday 16 November. The Deputy Prime Minister and the Associate Minister of Finance agreed the recommendations contained in that paper. The Prime Minister has yet to consider the proposal.

Price and Quantum Deadline

4. The deadline for negotiating price and quantum was extended until Monday 26 November in order to provide additional time for Air NZ to negotiate two-year credit facilities with its bankers. At this stage, the bankers are unaware of the additional \$150 million the Crown has committed to Air NZ. It is desirable for Air NZ to conduct negotiations with the banks before the extra capital commitment is advised.
5. I intend to notify the Board of Air NZ of the Crown's proposed price and quantum on Friday, 23 November including the basis upon which the Crown reached its proposed price. Finalisation of these terms is to be completed by Monday 26 November. Once completed, Air NZ will be required to make a statement to the New Zealand Stock Exchange disclosing the quantum and pricing and any other terms and conditions of the Crown's rescue package. I will also make a media release at that time.

Recommendations

6. It is recommended that you:
- a **note** the changes in timing for the Crown and Board of Air New Zealand to negotiate quantum and pricing of the Crown's equity:
 - date of notification of price and quantum by the Crown being Friday 23 November;
 - date of finalisation of price and quantum being being Monday 26 November;
 - b the Prime Minister **consider** the paper dated 15 November entitled "Air New Zealand Equity Injection – Quantum and Pricing" seeking a negotiating mandate for price and quantum of the Crown's equity for Air New Zealand.

Hon Dr Michael Cullen
Minister of Finance