

The Treasury

Solid Energy Information Release

May 2013

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: [4] @parliament.govt.nz
Sent: Monday, 17 October 2011 12:47 p.m.
To: ^SOLID: John PALMER
Cc: ^SOLID: Don Elder; [4] John Crawford; James Cunningham; Andrew Blazey
Subject: Letter from Hon Ryall re Solid Energy Draft SCI
Attachments: Slevel6.3-c11101711260.pdf

Dear Mr Palmer,

Please find attached a letter from Hon Ryall in relation to Solid Energy's Draft Statement of Corporate Intent. I will send the original in the post but thought it may be worth emailing as well in case it comes up at tomorrow's AGM and annual public meeting.

Many thanks,
[4]

Private Secretary State Owned Enterprises
Office of Hon Tony Ryall
Parliament Buildings
Wellington

Ph:[1]
[4]



Office of Hon Tony Ryall

Minister of Health
Minister of State Services

17 OCT 2011

Mr John Palmer
Chair
Solid Energy New Zealand Ltd
PO Box 1303
CHRISTCHURCH 8140

Dear Mr Palmer

2011 DRAFT STATEMENT OF CORPORATE INTENT (SCI)

Thank you for providing me with the Solid Energy's business plan and draft SCI. We appreciate the time and effort which has gone into producing these documents.

Shareholding Ministers are pleased to see a greater balance between the Company's desire for capital investment and the desire of the Crown to receive increased dividends, given its constrained fiscal position. We appreciate this change, and also appreciate the increased profits and dividends paid relating to the 2010/11 financial year. Given the events in Canterbury, we recognise this has been a creditable achievement in a particularly challenging year.

With respect to the Solid Energy's draft SCI there is one area where shareholding Ministers still have concerns. I am disappointed to note that Solid Energy's intended disclosure of the Board's estimate of the commercial value of the company does not meet the level of transparency that we expect for this disclosure. As you will be aware, this Government has placed significant emphasis on improving the transparency of SOE performance information.

Consistent with this, in November 2010 shareholding Ministers wrote to all SOEs setting out their expectations for each SOE. This letter included the clear expectation that a fully robust commercial valuation would be prepared and a summary of this would be included in the SCI. The letter also included a model commercial valuation disclosure statement setting out the minimum level of disclosure expected.

I understand that the Solid Energy board has chosen not to comply with the requested commercial valuation disclosure, and has simply provided the valuation without disclosing the relevant assumptions so that a reader can meaningfully understand how the valuation was derived. I also understand no commentary is included on how this has changed since the last year's SCI and nor has the valuation been peer-reviewed. Overall, shareholding Ministers do not consider the current disclosure provides a sufficient level of transparency as requested, and it is also questionable if the commercial value disclosure fully meets the requirement under

the State Owned Enterprises Act 1986 (Part 3 - Accountability Section 3) of including "...a statement of the manner in which that value was assessed".

I understand that the board has some sensitivity about the commercial valuation it publishes at the time because it is being considered for the proposed Mixed Ownership Model (MoM). However, we note that all the other companies being considered for the MoM have provided commercial valuation disclosures which are consistent with shareholding Ministers' expectations.

I would encourage the board to reconsider its position on the commercial valuation disclosure and to resubmit an SCI with a more extensive explanation of the commercial valuation.

I look forward to receiving a revised SCI aligned with shareholding Ministers' expectations. I would appreciate if this could be provided by 30 November 2011.

Yours sincerely



Hon Tony Ryall
Minister for State Owned Enterprises
On behalf of shareholding Ministers

cc: Dr Don Elder, Chief Executive Officer, Solid Energy