

The Treasury

Mixed Ownership Model for Crown Commercial Entities: Treasury Advice Information Release

4 September 2012

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
- [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
- [5] 9(2)(h) - to maintain professional legal privilege
- [6] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice, or
- [7] Information is out of scope or not relevant.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

EXTENDING THE MIXED OWNERSHIP MODEL

To: Minister of Finance (Hon English)
Minister for State Owned Enterprises (Hon Ryall)
Associate Minister of Finance (Hon Joyce)

From: John Crawford, Deputy Secretary, Commercial Transactions ([1])
Andrew Blazey, Manager, Commercial Transactions ([1])

Progress Report on Preparations – Fortnight Ending 29 September 2011

Work Programme and Timetable

- The work programme for preparing sales advice on mixed ownership is on time and within budget.
- We have received 14 responses to the public tender for an independent advisor (7 from New Zealand firms and 7 from Australian firms). The responses are high quality and establish a competitive basis for gaining advice on:
 - independent quality assurance of Deutsche Bank's advice on a sales programme
 - negotiating the appointment of a sales syndicate
 - oversee Deutsche Bank in an execution phase – only for the functions where Deutsche may face an actual or perceived conflict of interest
- On 7 October we will receive scoping study reports of each of the four SOEs. A copy will be sent to the relevant SOE at the same time. In the week of 10 October, we will receive presentations from the scoping study advisors on their findings. We have invited Paul Dyer, Angus White and Chris White to these meetings. SOEs are also receiving presentations. We will then engage with the boards of each SOE to understand their views on the findings of the studies.
- The scoping study findings and feedback from SOEs will both contribute to our sales programme advice.
- [4] [6]
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- We have engaged Tony Pigou from our experts' panel to consider the resources that might be required in a project office in order to implement mixed ownership IPOs. Tony set-up the office for Crown Fibre Holdings and will draw on that experience.

- We have engaged Peter Castle, barrister, to assist with how we mitigate and manage potential conflicts of interest caused by advisors seeking to take on work with companies with connections to SOE and Air New Zealand business activities (ie. competitors, suppliers and customers).

SOE and Air New Zealand Monitoring

- Mixed ownership issues did not attract any attention at the Genesis and Air New Zealand public meetings on 27 and 28 September.
- We will report to Ministers separately when proxy forms are required for officials to attend annual general meetings on behalf of shareholding Ministers.

Policy Issues

- Reported to Ministers on legislative options [T2011/2150 refers].
- Reported to Ministers on water policy and mixed ownership [T2011/21001 refers].
- We have provided additional papers to Hon Ryall responding to his questions on examples of governance regimes for mixed ownership companies in the private sector.

Other Matters

- On **4 October** Treasury is holding an internal seminar, the second in our series, on “IPO 101” which will be presented by Deutsche Bank in its role as our financial advisor. Invitations have been extended to Paul Dyer, Angus White, Chris White and James Hay.
- We are scheduled to meet Ministers on **5 October**; we propose the following agenda items:
 - Seek your guidance on how we prepare Cabinet papers
 - Possible legislative options to give effect to a mixed ownership model
 - Timetable for implementing IPOs
 - Statements by Ministers ahead of an IPO
 - Agenda for Hons English and Ryall’s meeting with SOE chairs.
- The Chairs of the four SOEs are scheduled to meet shareholding Ministers on **6 October**.