

The Treasury

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

4 September 2012

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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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.

Treasury Report: Interview with Dow Jones

Date:	27 January 2012	Report No:	T2012/114
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note	None
Minister for State Owned Enterprises (Hon Tony Ryall)	Read prior to your interview with Dow Jones	9.15am Sunday 29 January 2012

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Dominic Milicich	Senior Analyst, Commercial Transactions Group	[1]	✓
Andrew Blazey	Manager, Commercial Transactions Group		

Minister of Finance's Office Actions (if required)

None.

Treasury Report: Interview with Dow Jones

Purpose of Report

1. At 9.15am on Sunday 29 January Hon Tony Ryall is scheduled to be interviewed by Enda Curran, Money and Policy Reporter with Dow Jones and the Wall Street Journal. Briefing material to prepare you for the interview is provided below.

Proposed Interview Questions

2. Enda Curran has provided some indicative themes for the interview. Dow Jones notes that their global audience is comprised of investors, corporate leaders, and policy makers and that the interview is to update this audience on progress being made on the Mixed Ownership Model programme. Proposed questions include:
 - How is the assets sale process going?
 - When will details be provided on the Mighty River Power process?
 - Does the Government welcome foreign investors?
 - What guidance will the Overseas Investment Office stipulate?
 - Does the global economic slowdown have an impact on the MOM process?
 - Are dual listings likely?
3. Below are some suggested answers to these particular questions including some general information on the MOM programme.

Questions and Answers

How is the assets sale process going? When will details be provided on the Mighty River Power process?

Following the election the Government announced its intention to proceed with a three to five year programme of selling partial stakes in Mighty River Power, Meridian, Genesis, Solid Energy, and Air New Zealand.

The Government plans to conduct the first initial public offering (IPO) of shares in Mighty River Power, most likely in the third quarter of 2012, provided legislation has been passed and market conditions are suitable. The Government plans to introduce legislation in March subject to the outcome of consultation with Māori.

Over the last few weeks tender processes have been underway for the service providers necessary to conduct this IPO. The joint lead managers, marketing, communications, and logistics providers chosen for the project will all be made public over the next couple of weeks. Timing details for the pre-registration process and the offer period will be provided later.

When will the first IPO take place?

The approximate date is the third quarter of 2012.

Does the Government welcome foreign investors?

Foreign investors will be able to meaningfully participate in the offers. The Government has clearly stated, however, that it requires New Zealand investors to be at the front of the queue for these investments and has adopted the goal of widespread and substantial New Zealand ownership. We have stated that our expectation is that following the IPO 85-90% of the companies will be in New Zealand ownership, including the minimum 51% shareholding that the Government is committed to retaining.

What guidance will the Overseas Investment Office stipulate?

The Government has decided to restrict any investor apart from the New Zealand Government from owning a shareholding in any of the MOM companies of more than 10%. This means that Overseas Investment Act requirements will not apply.

Under the Overseas Investment Act transactions only require assessment by the Overseas Investment Office when they will result in an overseas person having a 25% or more ownership or control interest in the company.

Does the global economic slowdown have an impact on the MOM process?

The Government will be mindful of equity market conditions when undertaking all of the proposed MOM transactions. We are committed to achieving the best possible value for New Zealand taxpayers. As is common practice, this may mean that if particularly turbulent market conditions arise a transaction may have to be delayed. We have factored this risk into our proposed three to five year timing of the programme.

Are dual listings likely?

No decision has yet been taken but Mighty River Power will be a large listed company and at present a significant proportion of the top 10 companies on the NZX are listed on the ASX.

Other Topics

Preferential treatment for domestic investors

The Government has committed to the goal of widespread and substantial New Zealand ownership of these companies. This commitment will necessarily drive allocation policy within the IPO.

No decisions have been made at this stage on the potential use of incentives such as discounts for retail investors or loyalty shares. We note that these design choices are common features of Government IPOs but recognise they have an associated cost.

Sales Proceeds

There are a range of company valuations in the public domain that have been the subject of some comment. Essentially it is investors who will decide the value of these companies through the competitive book build processes that will be used in the IPO processes.

The Government stated that it expected to receive \$5b to \$7b in total proceeds across the programme. We are very confident that this goal can be achieved.

Recommended Action

We recommend that you **note** the material in this report prior to your interview with Dow Jones and the Wall Street Journal at 9.15am on Sunday 29 January 29.

Andrew Blazey
Manager, Commercial Transactions Group

Hon Bill English
Minister of Finance

Hon Tony Ryall
Minister for State Owned Enterprises