

Treasury Report: Draft Cabinet Paper on GSO Procurement for Comment

Date:	21 March 2013	Report No:	T2013/720
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note	None
Associate Minister of Finance (Hon Steven Joyce)	Note	None
Minister for State Owned Enterprises (Hon Tony Ryall)	Provide comments on draft Cabinet paper	As soon as possible

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Dominic Milcich	Senior Analyst, Commercial Transactions Group	04 917 6087	N/A	✓
Chris White	Manager, Commercial Transactions Group	04 890 7256	[Withheld under s.9(2)(a)]	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
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Enclosure: Yes

[Cabinet Paper - GSO Procurement Proposal \(Treasury:2592391v1\)](#)

Treasury Report: Draft Cabinet Paper on GSO Procurement for Comment

The Minister for State Owned Enterprises asked us to prepare a Cabinet paper seeking Cabinet's authorisation for officials to commence procurement processes for the financial and legal advisors for all remaining transactions in the Government Share Offers programme (excluding Solid Energy).

A draft Cabinet paper to this effect is attached for your comment. If you wish for this paper to be considered by Cabinet on March 25th then this would need to be submitted as a late paper to Cabinet tomorrow. The paper could be considered at Cabinet on April 2nd and still provide officials with sufficient time to commence the procurement as planned.

Recommended Action

We recommend that you **provide comments** as soon as possible.

Chris White
Manager, Commercial Transactions Group

Hon Tony Ryall
Minister for State Owned Enterprises

Chair
CABINET

GOVERNMENT SHARE OFFERS PROCUREMENT

Proposal

1. Cabinet is asked to authorise officials to commence the procurement process for financial and legal advisors for all remaining Government Share Offers (GSO) programme transactions.

Background

2. Following the initial public offer (IPO) of Mighty River Power (MRP), the remaining transactions in the GSO programme will be the IPOs of Meridian and Genesis, and the selldown of the Crown's holding in Air New Zealand. Any potential Solid Energy transaction is on hold due to its current financial situation. Before commencing the proposed transactions it will be necessary for officials to conduct procurement processes to appoint financial and legal advisors for each transaction. All other service providers have been appointed for the entire programme.

Transaction Timing

3. After the completion of the MRP IPO, there will be two IPOs remaining in the programme and two usable IPO windows remaining before approaching the end of the current electoral term. The IPO windows each year are September to December and March to June. This timing is determined by company financial reporting cycles and other seasonal factors such as holiday periods where you would not attract the attention of potential investors.

4. There are a number of events that can occur that would mean that an IPO would need to be deferred. These include items such as volatile or negative equity markets, electricity market shocks (e.g. hydrological events or infrastructure failure), or company specific events (e.g. specific asset failure, scandal or fraud etc). This means that we cannot completely rely on being able to achieve a successful IPO in any given window.


5. Therefore there is now a slightly heightened risk that the programme is not concluded should a window prove unusable.

6. At present we are working through a number of uncertainties with programme timing such as the relative readiness for IPO of the respective companies and other

company specific impediments to sale. We are not currently in a position to choose the company for the next transaction or the proposed timing of that transaction but we would like to take steps to maintain our flexibility to choose particular transaction timing options once we are in a position to choose the company.

7. Specifically, we would like to take preparatory steps to put us in a position of being able to execute IPOs in September 2013, December 2013, and/or the first half of 2014. Cabinet would be asked to consider specific recommendations regarding choice of company for each IPO and the proposed timing of transactions later. The preparatory step we would like to take is for officials to commence the procurement processes to appoint financial and legal advisors for the remaining transactions.

[Not relevant to request]




Publicity

12. When the procurement process commences our public comments would be limited to stating that no decisions have been made regarding the timing or company

for the next IPO. We would indicate that we are preparing for the efficient execution of the remainder of the programme.

[Not relevant to request]



Recommendations

16. We recommend that Cabinet:

1. **Note** that following the completion of the MRP IPO, two IPO transactions and the selldown of Air New Zealand will remain in the GSO programme;
2. **Note** that we would like officials to commence the procurement process for financial and legal advisors for these transactions to maintain our ability to complete these transactions before approaching the end of the current electoral term; and
3. **Authorise** officials to commence procurement processes for the appointment of financial and legal advisors for all remaining transactions in the GSO programme.

Signature Block

Date: