

# **VOTE** *State-Owned Enterprises*

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## Overview

Appropriations sought for Vote State-Owned Enterprises (SOEs) in 2006/07 total \$2.603 million. This is intended to be spent as follows:

- Ownership monitoring advice to, and management of issues on behalf of, the Minister for SOEs and other responsible Ministers.
- Advice to Ministers on establishment and implementation of new Crown entity companies and state-owned enterprises on behalf of the Minister for SOEs and other responsible Ministers.

## Terms and Definitions Used

CCMAU	Crown Company Monitoring Advisory Unit
CEC	Crown entity company
ECNZ	Electricity Corporation of New Zealand
SOE	State-owned enterprise

## Minister Portfolio Table

65	Minister for State-Owned Enterprises
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VOTE MINISTER: Minister for State-Owned Enterprises

ADMINISTERING DEPARTMENT: The Treasury

The Minister of Finance is the Responsible Minister for the Treasury

## Part A - Statement of Objectives and Trends

### Part A1 - Objectives for Vote

#### *Related Government Outcomes*

The appropriations in Vote SOEs will make an important contribution to growing an inclusive, innovative economy for the benefit of all New Zealanders. They fund the provision of advice to enable shareholding Ministers to hold SOE, Crown entity and Crown entity boards accountable for their performance in maintaining and enhancing shareholder value. Maintaining and enhancing the Crown's ownership interest in these entities contributes to the efficient management of the Crown's assets and liabilities.

#### *Output Expenses*

To achieve these objectives, the appropriations will fund a range of activities involving the provision of policy and ownership monitoring advice on SOEs, Crown entity companies and Crown entities.

### Part A2 - Trends in Vote

The time series of departmental flows detailed in the following table for Vote SOEs reflects the variation in workloads over time owing to one-off activities, principally related to the establishment of new companies. During 2000/01, the additional work to monitor these new companies required increased resources.

The Unit was also allocated additional entities to monitor during 2001/02. These were the New Zealand Lotteries Commission and the Public Trust on an ongoing basis, as well as the New Zealand Fire Service Commission for a period of one year. CCMAU was also tasked with developing a "Centre of Excellence" in the area of ownership monitoring, board member selection, and corporate governance in the public sector. The Centre of Excellence role is ongoing for CCMAU.

#### *Output Trends: 2001/02 to 2006/07*

Expenditure on monitoring advisory outputs has remained relatively stable over time, reflecting the maintenance of a core of commercial advisory capacity to meet Ministers' requirements for focused advice and issues management.

The appropriation for 2001/02 served to further fund the continuation of the work carried out in the previous year. During 2001/02, the Unit took on the added responsibilities of monitoring and advising on the New Zealand Lotteries Commission, and the Public Trust on an ongoing basis, as well as the New Zealand Fire Service Commission for a period of one year. CCMAU was also tasked with developing a "Centre of Excellence" in the area of ownership monitoring. Notwithstanding these additional responsibilities, the Unit managed to achieve savings of \$0.394 million during 2001/02, thereby

reducing the appropriation to \$1.906 million that year. A major reason was the reduction in the need for external consultants.

In 2002/03 CCMAU maintained its core monitoring responsibilities as well as commencing a major project on value-based reporting; providing advice on the restructuring of Television New Zealand Ltd (TVNZ); and encouraging companies to develop their corporate social responsibility practices. In addition, CCMAU introduced organisational changes aimed at improving the efficiency of its operation and bringing a more sectoral focus to its monitoring work.

During 2003/04 the Unit maintained its core monitoring and governance functions, whilst bedding down the new organisational structure. Work continued on the value-based reporting project.

CCMAU's activities in 2004/05 included a continuance of its core monitoring and governance role as well as active involvement in the long-term hold project designed to clarify shareholder preferences for each individual SOE.

In 2005/06 CCMAU continued its active involvement in the long-term hold project and also undertook a review of the organisational and purchasing arrangements supporting New Zealand's weather forecasting and climate services; and an organisational review of AgriQuality Ltd and Asure New Zealand Ltd, in the context of AgriQuality's proposal that the two organisations be merged; and a capital structure review of TVNZ was also undertaken.

At the same time CCMAU maintained its core monitoring and governance role.

The appropriation for 2006/07 of \$2.603 million will serve to fund a continuation of activities that were carried out during 2005/06.

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
<b>Appropriations</b>														
Output Expenses	1,906	2,248	2,101	2,260	2,553	2,553	2,603	-	-	-	2,603	2,466	2,468	2,468
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>1,906</b>	<b>2,248</b>	<b>2,101</b>	<b>2,260</b>	<b>2,553</b>	<b>2,553</b>	<b>2,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,603</b>	<b>2,466</b>	<b>2,468</b>	<b>2,468</b>
<b>Crown Revenue and Receipts</b>														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
<b>Total Crown Revenue and Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers (M65)	2,553	-	2,553	-	2,603	-	Provision by CCMAU of ownership monitoring advice to, and management of issues on behalf of, the Minister for SOEs and other Responsible Ministers in respect of the Ministers' shareholder responsibilities.
<b>Total Departmental Output Expenses (General)</b>	2,553	-	2,553	-	2,603	-	
<b>Total Appropriations</b>	2,553	-	2,553	-	2,603	-	

## Part C - Explanation of Appropriations for Output Expenses

### Part C1 - Departmental Output Expenses

#### *Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers*

This output involves the provision of policy and ownership monitoring advice on SOEs, Crown entity companies and Crown entities covered by Vote SOEs (collectively referred to below as “SOEs”). This includes:

- advising the Minister for SOEs and other responsible Ministers on the strategic direction of SOEs; the commercial and fiscal risks associated with Crown ownership; proposals to establish and restructure SOEs; and the processes and outcomes of significant SOE divestments and acquisitions
- providing advice which assists Ministers to set ownership objectives and targets for SOEs
- monitoring and advising the Ministers of SOEs’ performance against these objectives and targets
- providing policy advice on, and managing issues arising out of, the ownership of SOEs, including residual implementation issues
- managing, on behalf of responsible Ministers, the appointment of SOE directors and monitoring the performance of those directors and boards
- assisting responsible Ministers in the formulation of shareholders’ expectations in relation to the governance practices and structures companies adopt.

Maintaining and enhancing the Crown’s ownership interest in these entities contributes to the efficient management of the Crown’s assets and liabilities.



## Part E - Explanation of Capital Flows

### Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

The Minister for SOEs is the responsible Minister for the Government's ownership interests in SOEs (the Minister of Finance is the other shareholding Minister). Other Ministers are responsible for the Government's ownership interest in CECs and Crown entities (in most cases the Minister of Finance is the other Shareholding Minister; sometimes there is only one Minister). The estimated net worth (total assets less total liabilities) of SOEs, CECs and Crown entities which are monitored under the auspices of Vote SOEs are listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid and capital injections or withdrawals. The data for these organisations are based on forecasts provided for inclusion in the 2006 Budget.

The exceptions are those companies where the Crown's shareholding is 50% or less of the total shareholding. Generally accepted accounting practice requires that the value of the investment is shown at either historic cost or the value calculated under the equity method of accounting. In the table below this only applies to the airport companies.

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
<b>State-owned enterprises:</b>	<b>Crown Entities</b>		
AgriQuality Ltd	30 June	22,000	23,400
Airways Corporation of New Zealand Ltd	30 June	85,200	83,900
Animal Control Products Ltd	30 June	4,500	4,500
Asure NZ Ltd	30 September	8,400	8,400
Electricity Corporation of New Zealand Residual Ltd	30 June	1,700	1,600
Genesis Power Ltd	30 June	1,448,000	1,497,000
Landcorp Farming Ltd	30 June	764,000	830,000
Learning Media Ltd	30 June	4,900	5,200
Meridian Energy Ltd	30 June	2,542,000	2,630,000
Meteorological Service of New Zealand Ltd	30 June	5,800	6,000
Mighty River Power Ltd	30 June	2,101,200	2,223,700
New Zealand Post Ltd	30 June	505,800	538,300
New Zealand Railways Corporation	30 June	154,700	154,700
Quotable Value New Zealand Ltd	30 June	7,800	7,700
Solid Energy New Zealand Ltd	30 June	262,000	288,000
Timberlands West Coast Ltd	31 March	66,900	68,100
Transmission Holdings Ltd	30 June	99,600	99,100
Transpower New Zealand Ltd	30 June	1,205,200	1,296,500

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
<b>Crown entity companies:</b>			
Radio New Zealand Ltd	30 June	29,300	29,300
Television New Zealand Ltd	30 June	268,600	256,700
<b>Crown entities:</b>			
New Zealand Lotteries Commission	30 June	37,100	37,100
Public Trust	30 June	40,800	42,100
<b>Crown's share of the Crown Companies reported at historic cost:</b>			
Christchurch International Airport Ltd (25% share)	30 June	14,400	14,400
Invercargill Airport Ltd (45% share)	30 June	1,496	1,496
<b>Crown's share of Crown Companies reported at a value calculated by the equity method:</b>			
Dunedin Airport Ltd (50% share)	30 June	11,769	11,769

\* Undertaking capital structure review.