

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

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## Overview

Appropriations sought for Vote State-Owned Enterprises (SOEs) in 2003/04 total \$2.588 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-owned companies and State-owned enterprises on behalf of the Minister for SOEs and other Responsible Ministers.

## Terms and Definitions Used

<b>CCMAU</b>	Crown Company Monitoring Advisory Unit
<b>CROC</b>	Crown-owned company
<b>ECNZ</b>	Electricity Corporation of New Zealand
<b>SOE</b>	State-owned enterprise

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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 State-Owned Enterprises

#### *Related Government Outcomes*

The appropriations in Vote SOEs will make an important contribution to the Government's key goal of developing an inclusive, innovative economy for the benefit of all New Zealanders. They fund the provision of advice to enable shareholding Ministers to hold Crown company 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 balance sheet and net worth.

#### *Output Class*

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

### Part A2 - Trends in Vote State-Owned Enterprises

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 1999/2000 and 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 will be ongoing for CCMAU.

#### *Output Trends: 1998/99 to 2003/04*

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 higher appropriation levels in 1998/99 reflected the increased level of outputs that was produced by the Unit.

In 1998/99 the Vote had one-off expenses relating to completion of the work on restructuring ECNZ into three new SOEs called Meridian Energy Limited, Mighty River Power Limited and Genesis Power Limited, and the corporatisation and split of MQM into AgriQuality NZ Limited and Asure NZ Limited. A portion of the work on Housing New Zealand Limited was also included.

In 1999/2000, the Vote reverted back to core monitoring tasks. However, during that year, the Unit took on additional monitoring responsibilities in relation to At Work Insurance Limited, Housing New Zealand Limited, the three new electricity SOEs, Asure NZ Limited, Quotable Value Limited and AgriQuality NZ Limited.

The increased appropriation for 2000/01 reflected the additional responsibilities faced by CCMAU, largely owing to new Government policy initiatives, as well as continuation of the work carried out in 1999/2000.

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 \$0.320 million during 2001/02, thereby reducing the appropriation to \$2.268 million that year. A major reason was reduction in the need for external consultants.

During 2002/03 the Unit has maintained its core monitoring responsibilities, as well as developing value-based reporting as an adjunct to historical cost reporting, which will be completed next year.

The appropriation for 2003/04 of \$2.588 million will serve to fund a continuation of activities that were carried out during 2002/03.

## Trends in Vote State-Owned Enterprises - Summary of Appropriations and Crown Revenue

Types of Appropriation	1998/99	1999/2000	2000/01	2001/02	2002/03		2003/04 Appropriations to be Used				2004/05	2005/06	2006/07	
	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>Operating Flows</b>														
Classes of Outputs to be Supplied	13,266	1,869	2,553	2,144	2,548	2,548	2,588	-	-	-	2,588	2,588	2,588	2,588
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Flows</b>														
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
<b>Total Appropriations</b>	13,266	1,869	2,553	2,144	2,548	2,548	2,588	-	-	-	2,588	2,588	2,588	2,588
<b>Total Crown Revenue and Receipts</b>	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

## Part B - Statement of Appropriations

### Part B1 - Details of Appropriations

	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Classes (Mode B Gross)</b>							
D1 Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers	2,548	-	2,548	-	<b>2,588</b>	-	Provision by the Crown Company Monitoring Advisory Unit (CCMAU) of ownership monitoring advice to, and management of issues on behalf of, the Minister for State-Owned Enterprises and other Responsible Ministers in respect of the Ministers' shareholder responsibilities.
<b>Total Appropriations for Departmental Output Classes (Mode B Gross)</b>	2,548	-	2,548	-	2,588	-	
<b>Total Appropriations</b>	2,548	-	2,548	-	2,588	-	

## Part C - Explanation of Appropriations for Output Classes

### Part C1 - Departmental Output Classes

#### *Output Class D1 - Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers*

This class of outputs involves the provision of policy and ownership monitoring advice on SOEs, Crown companies and Crown entities covered by Vote SOEs (collectively referred to below as “SOEs”) to the Minister for SOEs including:

- 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 the 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 the Minister, the appointment of SOE directors and monitoring the performance of those directors and boards.

Maintaining and enhancing the Crown’s ownership interest in these entities contributes to the efficient management of the Crown’s balance sheet and net worth.



## Part E - Explanation of Appropriations for Capital Flows

### *Net Worth of Entities Owned*

The Minister for SOEs is the responsible Minister for the Government's ownership interests in SOEs and some Crown entities (the Minister of Finance is the other shareholding Minister). The estimated net worth (total assets less total liabilities) of SOEs and CROCs 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 2003 Budget.

The exceptions are those companies where the Crown's shareholding is 50% or less of the total, in which case generally accepted accounting practice requires that the value of the shareholding be shown at historic cost. In the table below this only applies to the airport companies.

### *Statement of Estimated and Forecast Net Worth*

	Balance Date	Estimated Net Worth 2003 \$ million	Forecast Net Worth 2004 \$ million
<b><u>State-Owned Enterprises:</u></b>			
AgriQuality NZ Ltd	30 June	17	18
Airways Corporation of New Zealand Ltd	30 June	56	56
Asure NZ Ltd	30 September	7	8
Electricity Corporation of New Zealand Residual Ltd	30 June	8	8
Genesis Power Ltd	30 June	888	933
Landcorp Farming Ltd	30 June	593	601
Meridian Energy Ltd	30 June	1509	1477
Meteorological Service of New Zealand Ltd	30 June	9	9
Mighty River Power Ltd	30 June	808	858
New Zealand Post Ltd	30 June	301	315
New Zealand Railways Corporation	30 June	7	7
Solid Energy Ltd	30 June	124	149
Timberlands West Coast Ltd	31 March	81	83
Transpower New Zealand Ltd	30 June	978	995
Television New Zealand Ltd	30 June	364	371

*Statement of Estimated and Forecast Net Worth (continued)*

	<b>Balance Date</b>	<b>Estimated Net Worth 2003 \$ million</b>	<b>Forecast Net Worth 2004 \$ million</b>
<b><u>Crown Entities:</u></b>			
Animal Control Products Ltd	30 June	4	5
Learning Media Ltd	30 June	5	6
New Zealand Lotteries Commission	30 June	10	10
Public Trust	30 June	39	40
Quotable Value New Zealand Ltd	30 June	7	7
Radio New Zealand Ltd	30 June	20	20
<b><u>Crown Companies (that are not Crown Entities):</u></b>			
Christchurch International Airport Ltd (25% share)	30 June	154	164
Dunedin Airport Ltd (50% share)	30 June	19	19
Invercargill Airport Ltd (45% share)	30 June	7	7
R Corporation Ltd	30 June	0	0
New Zealand Venture Investment Fund Ltd	30 June	6	19